

Nation's Business®

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**Smart Ways To
Manage Cash**

**Save On Your
Energy Costs**

**Zoning Laws Vs.
Home Businesses**

Entrepreneurs To The Rescue

*Cash-strapped governments
often can't provide the
quality services that
citizens demand today.
But maybe your
business can.*



AUGUST 1992



THE COMPAQ DESKPRO/i. SO A LIMITED PRICE LEADS

The company most qualified to advance the state of the desktop computer announces four systems that represent a breakthrough in R&D. At prices that won't ruin your P&L. Reflecting the level of thinking and quality that you've come to expect from Compaq.

At Compaq, there's a fundamental belief held by all of us that when you set extraordinary goals, extraordinary people will meet them.

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The built-in COMPAQ QVision 1024 Graphics

times faster than most popular video graphic subsystems. So quickly, as a matter of fact, you may find your computer waiting for you. Instead of the other way around.

Its unique processor upgrade path ensures



Controller, for example, allows you to scroll, resize windows and pull down menus up to ten

that your PC won't be swept into obsolescence.

Simple chip upgradability and a 64-KB cache

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MUCH FOR THE IDEA THAT TO LIMITED THINKING.

memory module option
provide quantum leaps
in performance. Without

Intel 386/25, 386/33, 486SX/25,
486/33 • QVision accelerated
graphics • Chip upgradability
• Integrated business audio • 4
MB RAM (expandable to 32 MB)
• Cache memory standard • 3
ISA expansion slots • 3 drive bays
• 84-MB to 510-MB hard drive
options • Multi-level security
features • Microsoft MS-DOS
5.0 as published by Compaq

unfamiliar dimension to
mainstream business com-
puting: your voice. The
result of a collaboration
between Compaq and
Microsoft, it allows you,
among other things, to
actually paste voice mes-
sages into spreadsheets
and documents. Either as
notes to yourself or as
voice-mail across your
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And we've engineered
this breadth of technol-
ogy right onto the PC's
system board, preserv-
ing the small footprint,
large storage capacity
and expansion of the
COMPAQ DESKPRO/i.
Not to mention your
financial integrity.

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us at 1-800-263-5868,
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We bet you'll be as ex-
cited about the COMPAQ
DESKPRO/i as we are.



*In scrolling, window resizing and
accessing menus, our new QVision
accelerated graphics beat the com-
petition by as much as 10 to 1.*



*You can paste voice messages into
Microsoft Windows 3.1 business
documents and spreadsheets with our
integrated business audio system.*



similar outlays of cash.

The fully integrated
audio system brings an
unprecedented, yet not

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What happens when the best computer engineers in the world design a low-priced desktop PC? You get the new COMPAQ ProLinea Line of PCs, perhaps the best value PCs in the world. What happens when a clone maker designs a low-priced PC? You get what you pay for.

When Compaq engineers set out to build an affordable, full-performance desktop PC with all the essential features, there were a lot of options to choose from. We could have bought

an existing low-end computer company.

We could have farmed out all manufacturing.

We could have bought parts from the cheapest vendor in town.

But then all we would have ended up with is simply another inferior,



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low-priced clone. And what we wanted was a low-priced COMPAQ computer.

Which is what you told us you wanted.

So through some high levels of chip integration and some equally high levels of engineering,

Intel 386SX/25 ♦ small footprint ♦ 2 MB RAM ♦ 2 ISA slots ♦ 2 drive bays ♦ 40- or 84-MB hard drive
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All models include high-resolution 1024 x 768 video and pre-installed Microsoft MS-DOS 5.0 as published by Compaq

design and just plain common sense, we've cut costs in system design and manufacturing.

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And equally surprised by how little we're able to offer them for.



All in all, the COMPAQ ProLinea 3/25s PC sizes up quite nicely. At a mere 12.6" x 14.9" x 3.5", it's one of the smallest footprints in the industry.



All of our models are backed by CompaqCare, our comprehensive new service and support program. For details, just call 1-800-345-1518.



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Nation's Business

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U.S. Chamber of Commerce
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PHOTO: ©BART BARTHOLOMEW

Privatization of public services can cut government costs and create opportunities for small firms. American Golf Corp. runs a municipal course in Pasadena, Calif. Cover Story, Page 20.



PHOTO: ©SCOTT GOLDSBETH

Entrepreneurs Tris and Greg Nelson moved their clothing firm to a business incubator in Indiana, Pa., to benefit from its growth-promoting services. Business Development, Page 40.

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64 On Welfare Reform

The issue of welfare reform is heating up, so your responses to this poll will be timely. Results will be given to the Bush administration, the Clinton campaign, and members of Congress.



PHOTO: SHMUEL THALER

On-the-road experience helps Mike Sinyard improve technology at his bicycle company. *Making It*, Page 16.

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Cover Design: Deborah J. Humphries
Cover Illustration: Andrea Baruffi

Nation's Business (ISSN 0028-0479) is published monthly at 1615 H Street, N.W., Washington, D.C. 20002-2008. Tel. (202) 462-5450 (national). Advertising sales headquarters: 711 Third Ave., New York, N.Y. 10017. Tel. (212) 370-1446. Copyright © 1992 by the United States Chamber of Commerce. All rights reserved. Subscription prices (United States and possessions): one year, \$22; two years, \$39; three years, \$56. For Canadian and other foreign subscriptions, add \$20 per year. Printed in U.S.A. Second class postage paid at Washington, D.C., and additional mailing offices. POSTMASTER: send address changes to *Nation's Business*, 4940 Nicholson Court, Kensington, Md. 20745. To inquire about your subscription, or to make a change of address, please call 1-800-639-0582, or in Maryland, 1-800-352-1430. Photocopy Permission: Where necessary, permission is granted by the copyright owner for those registered with the Copyright Clearance Center (CCC), 27 Congress St., Salem, Mass. 01970, to photocopy any article herein for a flat fee of \$1.50 per copy of each article, and payment to the CCC. Copying without express permission of *Nation's Business* is prohibited. Address requests for bulk reprints to *Nation's Business* Reprints, 1615 H Street, N.W., Washington, D.C. 20002-2008, or call (202) 462-5877. ISSN 0028-0479/92 \$5.00.

The Pendulum Has Started To Swing Again

The theme of this month's cover story is a contemporary trend with centuries-old roots. In this article, Senior Editor Al Holzinger details how companies are taking over services and facilities from governments unable to finance or continue them.

While this development is in many ways a reflection of economic realities of the 1990s, it is also a reminder that the private sector was there first. In the early days of the nation, entrepreneurs owned major roads, bridges, and ferries and provided services such as fire protection and water supply.

While governments gradually took over responsibility for such activities, private ownership continued in some cases well into the automotive age (see the accompanying photo). Now the pendulum has started to swing again.

For entrepreneurs, it is important to consider the opportunities opened for them when governments ask the private sector to step in. This article not only will give you the background on the process known as privatization but also will tell you how to start building interest in your community.

If you are thinking about starting a home-based business, don't overlook one of the key factors that needs to be addressed: zoning laws. The article beginning on Page 35 describes how too many entrepreneurs have learned too late how important such laws can be to business planning. Even if a home-based enterprise isn't in your immediate plans, you'll want to clip this article for future reference if and when you decide to go that route.

In a different vein, the article beginning on Page 32 puts into focus one of the most controversial public-policy issues of the day—welfare reform. It affects all small-business people in their roles as taxpayers and as potential employers of welfare recipients who move into paying jobs.



PHOTO: THE BETTMANN ARCHIVE

Early privatization: This 19th-century toll gate on the road between Winchester and Berryville in northern Virginia was still operating in 1923.

Robert T. Gray

Robert T. Gray
Editor

Nation's Business

Letters

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Making A Case Against A Balanced-Budget Amendment

Congress continues to toy with the idea of a balanced-budget amendment ["The Line-Item Veto: An Idea Whose Time Has Come," April Editorial]. On the surface, it seems like just what the doctor ordered.

Ideas need to be tested in the marketplace: Are we willing to pay for what we want? We were willing to pay to defeat communism.

But a balanced-budget amendment would give lawmakers an excuse to tax at will, and it would not stop the ever-increasing expense of government. Such an amendment would be a shell game of trading a hole in the right pocket (deficit) for a hole in the left pocket (taxes), using constitutional law as the scapegoat.

B. William Leuzzi
Editor
Markets & Strategies
Wallingford, Conn.

Some Tracks Are Easier Than Others

I read with interest the article "Making Progress In Transportation" [May]. Each of the technologies the author describes has its advantages and disadvantages. The best example is the photo of the maglev train on Page 43: Notice how straight the track is?

For all intents and purposes, it can't go around curves.

One of the marvels of the interstate highway system is its ability to reinvent itself. The system remains the world's greatest infrastructure project, curves and all.

David Ewing
American Trucking Associations
Alexandria, Va.

How About The Eleventh Threat?

Allow me to submit an 11th "Key Threat To Success" to your extremely useful June cover story: *Failure to market*.

In our line of work, we see too many fine companies whose last thought is making an adequate promotion and advertising investment to sell the services

and merchandise everyone in the firm works so hard to produce.

Marketing-driven companies, in our experience, most often come out ahead of their competition and have enough surplus business to cover any management or financial mistakes.

Henry Eason
President
Eason Communications
San Francisco

Getting The Right Handle On Total Quality Management

TQM [Cover Story, May] is neither visionary nor missionary nor differentiating; it is a given that allows a firm to be in the race for a customer's business. It has little to do with winning or surviving.

Philosophy, vision, purpose, and customer commitment come together to define a sustainable business niche, and in this climate superior quality grows naturally.

Richard C. Kimball
The Bigelow Co.
Boston

A Distinction With A Healthy Difference

Your April cover story ["States Take Lead In Health Reform"], while generally well done, failed to distinguish between choice-of-provider statutes and mandated benefits. Under provider

statutes, the patient is given a choice of seeing an MD or a chiropractor or an optometrist, etc. These alternatives can easily be more cost-efficient.

Who will set rates once all the competitors of MDs have been eliminated?
Charles B. Kornmann
General Counsel
South Dakota Chiropractors' Association
Aberdeen, S.D.

The Intricacies Of Stock Buybacks

In May's "For Your Tax File," you addressed the importance of a shareholders' agreement to provide for the timely transfer of a deceased shareholder's stock. But rather than have the corpora-



PHOTO: SPLASHPHOTOS—THE IMAGE WORKS

Maglev trains: Technology for straightaways?

PICKUP

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LETTERS

tion buy the stock back out of future earnings or take out life insurance policies on the shareholders, it is better to have individual shareholders acquire the stock from the deceased shareholder's estate in a cross-purchase.

In a family-owned corporation, such a purchase would avoid attribution, which can trigger unwanted dividends. In a C corporation, the alternative minimum tax will be avoided.

The surviving shareholders receive a full step-up in basis, thus avoiding capital gains tax on the acquired stock if they sell while they are alive, and corporate creditors may not invade the cash value or death benefit as they are legally entitled to if the corporation is the owner of the policies.

*Terrance K. Resnick
Resnick Associates
Harrisburg, Pa.*

[Contributing Editor Albert B. Ellentuck replies: The cross-purchase recommended by Mr. Resnick is usually preferable where there is a substantial alternative minimum tax, or where the buyout cannot be structured to avoid dividend treatment. Otherwise, most practitioners prefer a purchase by the corporation since it is much simpler to accomplish and it uses before-tax dollars as compared with after-tax dollars in a cross-purchase.]

Customers Will Understand The Environmental Price Tag



ILLUSTRATION: DEBORAH J. HUMPHRIES

In "Environmental Price Tags" [April], you suggest that the increased costs of complying with Environmental Protection Agency regulations will make small businesses less competitive.

The regulation mentioned in the article would lead all the small firms in the industry to adopt the same required equipment.

But after passing on their increased costs to the consumer, these businesses would remain competitive within their industry.

There are people who prefer dealing with small businesses because of the personal attention and faster service, and they are used to paying a higher price for those things.

Consumers realize that environmental reform will cost extra, and many are

willing to pay for it. Business owners might post signs informing consumers about how much of the bill is a result of excise taxes and Environmental Protection Agency fees.

*Steven Price
College Station, Texas*

Sometimes Doctors Must Have Their Own Medical Equipment

Regarding "A Plan To Cut Billions In Waste," in the Benefits Update for May: It may be true that some doctors, in treating patients, use their own diagnostic equipment or facilities just to increase their incomes.

But there are circumstances in which the doctors may not have access to medical facilities, so they have to purchase X-ray units for their offices in order to meet the basic standards of health care. I have not had access to the local hospital's X-ray department until recently. So I had to purchase an X-ray unit on my own. Since I did not have access to hospital physical-therapy departments, I had to buy physical-therapy equipment.

Or a group of doctors may go together to purchase a large piece of equipment to provide a service to the community because the community will not allocate tax dollars to purchase it. Then the doctors get accused of being money-hungry.

*Terry L. McKee
McKee Chiropractic Clinic
Tomball, Texas*

The Founding Fathers Would Not Approve

Anger at Congress is at an all-time high. Congress is completely out of touch with the people it is supposed to represent. And the main reason for this is that the lawmakers have stacked the deck to practically guarantee their re-election.

America's Founding Fathers would be sickened by what they would see in Washington today. Lawmakers in America's early history were not professional politicians. They went to the nation's capital a couple of times a year and then returned home to their full-time occupations.

It's time to limit the terms of the members of Congress to six years.

*Dailey J. Berard
President
Universal Fabricators Inc.
New Iberia, La.*

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Let Customers Know You "Love" Them

Love your customers, employees, shareholders, vendors, and community—in that order—and the profits will follow.

This philosophy has catapulted my company, Acucobol, Inc., from a six-person start-up to an international software company with annual sales of over \$4 million in just 40 months. And what about profit? It has been flowing since the 12th month of operation.

"But wait a minute," you may say. "Love and marriage go together, but love and business?"

Well, our relationships with our customers last longer than many marriages; for them, the relationship is an important business marriage.

Our customers develop commercial applications for software in areas such as payroll, inventory control, and fleet maintenance. These applications use our product, ACUCOBOL-85, a new version of the most portable computer language, COBOL. Today, over 80 percent of all business software applications are written in COBOL, and half of the world's programmers use COBOL. What's different about our product is its ability to interact with more than 500 platforms.

We have sold to more than 2,000 software-development companies, which have used our product to develop business applications that they have sold to more than 100,000 businesses worldwide. One glitch in our software might shut down operations of those businesses. So it's

Pamela Coker is founder, president, and CEO of Acucobol, Inc., of San Diego.

Readers with special insights on meeting the challenges of starting and running a business are invited to contribute to *Entrepreneur's Notebook*. Write to: Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.

important that our software run smoothly and that our customers' software does too.

We spend hours communicating with our customers—the application-software developers—by phone and fax. One technician's conversation with another can turn into technical jargon, however, which can lead to miscommunications and frustration. This is where "love" comes in. If

you regularly let your customers know you "love" them, a high level of trust develops—a level of trust that is crucial for resolving technical problems. When you are "loved," you think more clearly, become more creative, and solve problems sooner.

And how do we let customers know we "love" them? We gain their respect through programs that go beyond standard business practices. For example, each month we call them to see if there's any-

thing we can do to help them out. A couple of times each year we mail every customer a gift to express appreciation for their business. And each year we host a conference for all of our customers to meet with them and show them new products.

You might ask how I get 60 employees to commit to showing "love" for customers. The answer is to "love" your employees. Give them an environment where they can learn, make mistakes, grow, excel, and prosper; they in turn will put their energy and wisdom back into your company. Care about them as persons. Care about their health, their families, and their career goals. Give them the tools to become more productive. And above all, make sure everyone is having fun. Chances are that if they're having fun, your employees are committed to your goals.

I am committed to helping every Acucobol employee attain his or her dreams. I

have given employees various opportunities for a fulfilling work environment. Many of my senior-level staff members work flexible hours, which lets them have their personal time when it's best for them and also encourages them to maximize their time at work.

We schedule events outside work and invite friends and families. This encourages camaraderie, openness, and greater productivity in the long run. To promote our employees' careers, I've encouraged them to join associations relevant to their work and to contribute articles to industry publications.

If you "love" your customers and employees, you'll find it easy to deliver the profits to the shareholders, and your philosophy will catch on with your vendors. For example, because of our enthusiasm, our advertising agency, Patrick J. Murphy and Associates, does prize-winning work for us.

I firmly believe companies cannot ignore community involvement. As a result of my membership on a local university's alumni board, Acucobol has benefited from getting top job candidates and exposure to business ventures.

I've encouraged my employees to become involved with the community as well.

Whether they help out at a shelter for the homeless, support blood drives and food collections, or work with local elementary schools, I want my employees to value the community and the contributions they can offer to make it better. ■



PHOTO: SCHREIBER COVETTA

Pamela Coker promotes friendly service.

What I Learned

"Love" your employees. Give them an environment where they can learn, make mistakes, grow, excel, and prosper; they in turn will put their energy and wisdom back into your company. Care about them as persons. . . . And above all, make sure everyone is having fun.

Dateline: Washington

Business news in brief from the nation's capital.

By Albert G. Holzinger

BUDGET POLICY

Expect Talk, Not Action, On Spending Reduction

The continuing talk on Capitol Hill about spending reduction has more to do with political strategy than fiscal policy.

A flurry of interest in the House in cutting appropriations for the fiscal year beginning Oct. 1 appears to be aimed at convincing voters that lawmakers' earlier rejection of a balanced-budget amendment to the Constitution was not incompatible with other forms of spending restraint.

Rep. Leon Panetta, D-Calif., chairman of the House Budget Committee, has proposed a sweeping deficit-reduction plan and has called for bipartisan support to get it enacted promptly. Passage is considered unlikely, however. Prospects that President Bush and GOP members of Congress would give election-year support to an initiative cloaking Democrats in a fiscal-restraint mantle are just about zero.

LABOR RELATIONS

Business Thanks Senators Who Killed Striker Bill

Senate Majority Leader George J. Mitchell, D-Maine, says he will not schedule floor action again this year on union-backed striker legislation now that backers have failed twice to end a filibuster led by Sen. Orrin G. Hatch, R-Utah.

Senators who supported the filibuster

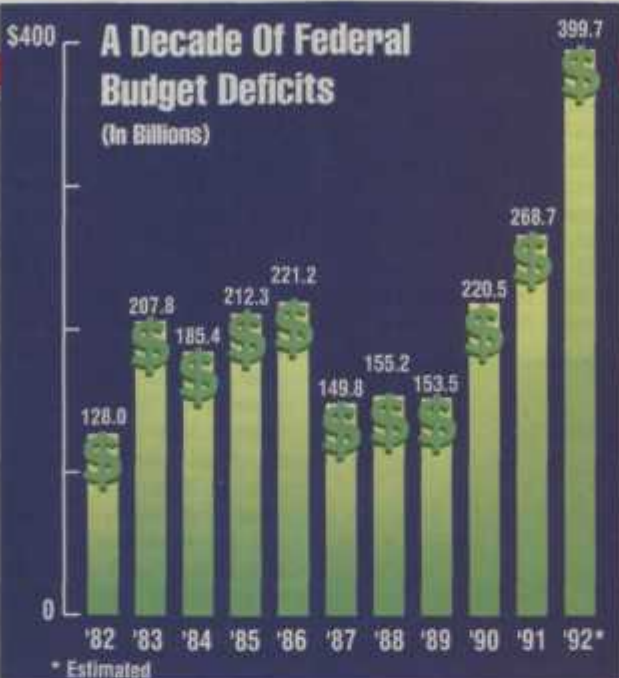
SMALL BUSINESS ADMINISTRATION

Kerester Named Chief Advocate

Former small-business owner Thomas P. Kerester was confirmed by the Senate as chief counsel for advocacy of the U.S. Small Business Administration. He will champion legislative and policy interests of small business, such as helping ease the health-insurance crisis and increasing the availability of capital, especially for women- and minority-owned firms.

"Experience as a [small-business] owner gave me a good handle on the kinds of problems owners face," says Kerester. He and his wife, Barbara Lee, ran a Montessori school in Virginia for 18 years.

—Bradford McKee



Source: U.S. Office of Management and Budget

Although Panetta's Democratic colleagues liked the attention that he received for efforts to eliminate deficits, they were not rushing to sign on to a specific bill that could involve cuts in

politically popular entitlement programs such as Medicare.

Overall, the outlook is for Congress to nibble at domestic and defense spending in the 1993 appropriations bills, with net reductions possibly adding up to a few billion dollars that will have negligible impact on the 1993 deficit or on a \$4 trillion national debt that has doubled in the past decade alone.

Private-sector experts on federal fiscal policy believe that the key votes on curbing deficits will not be cast by members of Congress but by voters in the Nov. 3 elections.

New members of the Congress convening in January will come in with "a mandate for change, particularly in terms of spending," says Matthew Kibbe, director of federal budget policy for the U.S. Chamber of Commerce. He added that returning lawmakers might well support such an effort out of concern for their own political futures.

drew praise from representatives of business. William T. Archey, senior vice president for policy and congressional affairs of the U.S. Chamber of Commerce, wrote to the lawmakers who backed the filibuster: "The U.S. economy will return to health when the U.S. business community is able to return to creating new jobs. However, we cannot make necessary progress with our hands tied, and [the striker bill] would have

done just that. We appreciate your recognition of this reality."

The bill would have barred employers from permanently replacing strikers in any circumstance. Current law allows permanent replacement of strikers in cases involving "economic issues" such as wages and benefits, but it bans replacements in strikes over "noneconomic issues," such as unfair labor practices.

INTERNATIONAL TRADE

Books On The Basics Of Trade

Business people who want to learn the fundamentals of international trade will find these new books useful:

■ The U.S. Department of Commerce's first revision in five years of *A Basic Guide to Exporting* contains up-to-date information on a wide variety of subjects, such as formulating an export strategy, finding export advice, making contacts overseas, coping with export regulations and documentation, finding financing, and getting paid. The 179-page book costs \$9.50 at the U.S. Government Printing Office, (202) 783-3238. Ask for publication No. 003-009-00604-0.

■ A companion book by the Commerce Department, *Importing into the United States*, details matters such as preparing invoices and marking boxes to speed their passage through U.S. Customs. The price of the 92-page book is \$4.75 from the Government Printing Office. Ask for publication No. 048-002-00112-5.

■ The National Federation of Export Associations has issued its *Trading Company Sourcebook* for 1992. It explains what export-management and export-trading companies are and how they can help your business. The 74-page book is available for \$18 from the association, 4905 Del Ray Avenue, Suite 302, Bethesda, Md. 20814.



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Managing Your Small Business

Minority-business networking; keeping calm during a storm; and how to play poker when entering new markets.

By Bradford McKee

MINORITY ENTERPRISE

Centers Help Owners Build Networks

Small-business development centers, which offer free or minimal-cost counseling and training for business owners in 49 states, can help owners build networks for growth.

A Maryland small-business development center helped Lenny Ung develop a network when the company he owns with his wife, Lien Tran, experienced bad luck at the time of its opening in the summer of 1991.

The problems began when a plumber who was supposed to fix a grease trap at the firm, Hung Phat Noodle Factory, in Wheaton, Md., neglected to do so, and the system failed inspection. Then the plumber tried to elude Ung, so the business owner found a lawyer—through his bank teller. But communication between Ung and his lawyer wasn't good either.

In addition to these nuisances, Ung and Tran had to worry about typical start-up concerns such as financing, paperwork, taxes, and marketing. "Everything makes you crazy," says Ung.



PHOTO: SUZAN ODELL

To smooth the way in opening their noodle-making company, owners Lenny Ung and his wife, Lien Tran, tapped a network of experts.

But then he learned of his local small-business development center, or SBDC, run by a partnership of the state of Maryland, three local counties, area colleges, and the U.S. Small Business Administration.

The counselors at the SBDC helped him get his business back on track by facilitating talks with his lawyer and by helping him solve his problem with his

plumber. Now SBDC staff members are helping Ung find capital and are teaching him how to promote his business.

In short, the SBDC is helping him bridge a "very frustrating" cultural gap, says Adrian Gardner, minority-business commissioner for Prince George's County, Md.

Small-business development centers will grow more useful as minority firms proliferate in metropolitan areas such as Washington, D.C., says Janice Carmichael, director of the Suburban Washington SBDC, where Ung found help. For example, at her center, a law firm donates services to Spanish-speaking business owners.

Ung wants to get his noodle factory running smoothly so he can pursue certification in his true vocation: acupuncture. "One day my dream will come true," says Ung. "But right now, for my wife and family, I have to run my business."

To find the small-business development center nearest you, call SBA's Small Business Answer Desk at 1-800-UASK-SBA.

MARKETING

Play Your Hand Like Poker When Entering New Markets

Marketing, especially new-market entry, should be approached like poker, not like craps.

That's the advice of marketing analysts at Backer Spielvogel Bates Inc., a New York City marketing communications firm. They say companies sometimes don't fully know the risks in launching new products. Many marketers, the analysts say, figure that if they roll the dice often enough, they are bound to win eventually—a strategy that wastes marketing dollars.

Instead, the firm says in its quarterly periodical, *Currents*, the launch of a new product should be calculated as though one were playing a poker hand:

■ *You must fold more often than you stay in. You should stay in only when you*

have a potentially strong hand. Once in, keep playing only if your hand keeps growing stronger.

In marketing, what counts is whether you win or lose, say the firm's analysts, not how much fun you have. To win in marketing a new product, you must wait for the perfect opportunity.

■ *Play each hand on its merits; there is no such thing as a winning streak.*

You should not squander past winnings with loose playing. If you have had previous new-product successes, say the experts at Backer Spielvogel Bates, you probably should continue that winning strategy.

■ *Don't bluff when stakes are high.*

Bluffing can be useful, but don't abuse its power. Advertising rhetoric can persuade people to try your new product, but they'll quit using it if it doesn't perform the way you say it does.

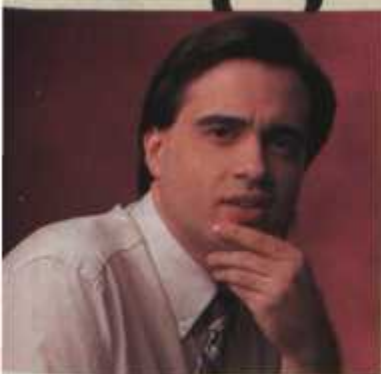
CRISIS MANAGEMENT

Creativity And Perseverance Help A Company Survive

Christine Bierman's firm has come close to failure a couple of times, but creative thinking and persistence rescued her business. Her company, Colt Safety Inc., in St. Louis, sells safety-related items such as gloves, hard hats, and goggles. When she opened the business in 1980, she says, "the competition didn't take kindly to our growth." In fact, she says, some competitors appeared to be attempting to block her access to certain product lines, and she turned to alternative products to build up her business.

Her reputation was growing well when, in 1985, she discovered an employee had embezzled tax funds, she says, and she faced a tax lien on her business. "My first thought was that I was doomed," she says. "Then I decided the only way out was to

"The last thing I need is to spend my whole day fighting with a printer."



—David Berry, IPN, Ltd., Chicago, IL

"Especially when you're a small firm, you can't waste time hassling with your printer," said David Berry of IPN, which creates software for the legal profession. "We've found the HP LaserJet very reliable and trouble free. Most of our clients also prefer using HP LaserJets. It's the standard for our market."

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find a lot of business and pay off the debt."

Bierman paid off the debt by keeping expenses down, negotiating payables and receivables creatively, and keeping growth within her narrowed means. By 1987, Colt Safety was back on its feet.

Then one morning in July 1991, Bierman went to work and found \$500,000 worth of inventory floating in four feet of water after a heavy rainstorm. "Customers were looking for orders that we could not fill," she says. "Creditors were looking for payment on goods that we could no longer sell. We needed to place new orders to be able to ship to our customers without interruption."

Meanwhile, Bierman adds, "competitors were eager to spread the rumor that Colt Safety was out of business."

While working to have her town declared a disaster area by state and federal officials, Bierman "had to beg" manufacturers to keep shipping to her even

though she had reached her credit limit with most of them.

She also negotiated short-term letters of credit and sent personal letters to all creditors explaining the flood and asking them for cooperation. It worked, helping her to hang on.

"I was already at my max with creditors," Bierman says. "They knew if I went out of business, I'd owe them a lot of money. If [Colt survived] they'd have my business. They've seen us beat all the odds."

This year, Colt Safety was named a Missouri designee in the nationwide Blue Chip Enterprise Initiative, which recognizes firms that have overcome adversity. The pro-



PHOTO: UYON ERENHOFF-BLACK STAR

Creativity has helped Colt Safety Inc. survive crises, says owner Christine Bierman (second from right).

gram is sponsored by Connecticut Mutual Life Insurance Co., the U.S. Chamber of Commerce, and *Nation's Business*. ■

COMMUNITY AFFAIRS

Education Can Reduce Environmental Concerns

Educating your community about your company, product, or service can help eliminate inaccurate perceptions, says Mike Vasko, co-owner of Chem Spray North Inc., a small firm in Shreveport, La. Vasko knew that people in his community were nervous about herbicides, so he made it part of his business to educate them about the chemicals.

Chem Spray North uses herbicides to kill foliage around power lines, along roads, and near industrial plants. Recently, the commissioners of Caddo Parish expressed fears that the herbicide spraying was a threat to local wildflowers. Vasko not only demonstrated the safety of the chemicals his firm uses but also called in a wildflower expert to enlarge the commission's discussion.

In early June, Mary Courville, of Louisiana Project Wildflower, a naturalist group, testified to the commission that Chem Spray's work was safe for the plants that were not its targets. Hearing it from a friend of the flowers helped allay the commission's fears. "It is an issue that the local community is concerned about, and we addressed the issue head-on," says Vasko.

Companies that use any of about 300 particular chemicals are required by federal law to disclose to the public that the substances may be stored or in use on the company's premises. But Chem Spray, which recently won a stewardship award from one of its corporate customers for its attention to safety and ecology, routinely goes out of its way to do more than the law requires, Vasko says. "We think the regulations are going to get tighter, and if they do, we'll be ready," he says. "However, we hope our competitors won't be." ■

WORKPLACE

Managers Appear Unwilling To Admit Mistakes

Middle-level and top managers are less likely to admit their mistakes than are staff-level employees, according to the 200 executives who responded to a recent survey by Accountemps, a temporary-staffing company.

The survey asked executives: "In general, who do you think is more willing to admit to their mistakes?"

Of three choices, 37 percent picked staff-level employees, 29 percent picked

middle managers, 29 percent picked top management, and 5 percent said they didn't know.

Accountemps Chairman Max Messmer, in interpreting the results, suggested that higher-level managers may try to cover up their mistakes to preserve their staffs' confidence.

Honesty, on the other hand, may be more productive, according to Messmer. Honesty about errors, he says, creates a more "motivational environment in which people are willing to take risks" to get the job done. ■

NB TIPS

Recycling Your Plastics

The tip arrived in a plastic sandwich bag: "Do You Know Where To Recycle Your Plastics?" Finding out where to take recyclable plastic bottles, jugs, jars, and other containers has been a chore for many Americans, but not any longer.

Call the Partnership for Plastics Progress, 1-800-243-5790 (in Washington, D.C., call 223-0125), and you will be directed to your nearest plastics-recycling center.

The organization also has information on how to start a plastics-recycling operation.

Financial Institutions' Vital Signs

How safe is your bank, insurance company, or broker? What does "safe" mean? You can find out how to check a bank's vital signs with a free, 23-page booklet, *How To Get Safety Information From Your Financial Institution*. The booklet can also help you check your insurance company's financial health and includes questions worth posing to brokers and pension-plan managers.

The booklet comes with postcards that

can be mailed to financial and insurance companies to request information; the postcards, which can be returned to the sender, specify the forms where the requested information can be found.

To order the booklet, send \$2 for postage and handling to Weiss Research Inc., 2200 N. Florida Mango Road, West Palm Beach, Fla. 33409; or call 1-800-289-9222.

Helping Family Firms Endure

Key steps in preserving a family firm for future generations are detailed in an audio cassette package, *Making Your Family Business Outlast You*. This resource includes six cassettes and a 54-page workbook covering such subjects as understanding and managing family conflicts, identifying and overcoming barriers to long-term success, and developing a succession program.

You can order the cassettes by writing to *Nation's Business*, Circulation Department, 1615 H Street, N.W., Washington, D.C. 20062-2000 or by calling 1-800-538-4400.

The cost is \$95 plus \$4 for shipping and handling. ■

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DATE	PAID TO	CHECK	CHECK	10	10		
LINE #	EXPLANATION	NUMBER	AMOUNT	Outside	Postage		
				services	expense		
				5310	5340		
06/15/92	Breezy City Telephone Co.	1103	C	135.76			
1							
06/15/92	Union Electric	1104	M	163.21			
2							
For Stamp and red ink meter							
Date	Pay to the order of	Check No	Amount				
06/15/92	US Post Office	0	23.00	23.00	27.00		
	Union Street						
	Syracuse, NY 13205						
Enter the amount of this check or disbursement							
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Making It

Growing businesses share their experiences in creating and marketing new products and services.

A Cyclist Who's Riding High

By Albert G. Holzinger



PHOTO: SHAMUEL THALER

Bicycle maker Mike Sinyard (above and center right) rides his work.

If Mike Sinyard's old van had been more reliable while he was attending college, he might never have founded Specialized Bicycle Components and introduced consumers across America to all-terrain bicycles (ATBs).

Because Sinyard's van was temperamental, he began commuting by bike from his trailer home to California's San Jose State University, where he attended business administration classes during the early 1970s. Those rides rekindled Sinyard's childhood love of two-wheelers, especially those with fat "balloon" tires and no gears or fenders.

Two decades later, Sinyard's passion for cycling remains undiminished. You can see it in his eyes during the lunchtime rides he and many of Specialized's almost 200 employees take on the roads

and trails surrounding company headquarters in Morgan Hill, Calif., south of San Jose. You can detect it in his voice as he describes the aerospace technologies his firm employs to design and build bikes and components tough enough and maneuverable enough to survive a mountain descent, yet light enough to pedal back to the summit—at high speed in both directions.

In contrast with his company's soaring sales—they have risen an average of 30 percent a year since the company's founding in 1974 and reached about \$130 million last year—Sinyard's first steps in the business world could not have been more down-to-earth.

Upon graduation, he sold his balky van for \$1,500, locked up his trailer, and embarked on a bike tour of Europe. He

met a woman at a youth hostel in Milan who knew several manufacturers of Italy's classic touring and racing bikes and their components. Parts for high-end "10-speed" bikes were in short supply at that time in the U.S. Much to his surprise, Sinyard now admits, the Italian manufacturers cheerfully granted him permission to help fill that void.

Sinyard bought an array of chains, handlebars, stems, and other components with most of the approximately \$1,100 he had left from selling his van. Sinyard felt confident, he recalls, that these products would be "as valuable as jewelry to people back home who were really into bikes."

Upon returning to his trailer in San Jose, Sinyard prepared a handwritten catalog and had no trouble selling his inventory to local bike-shop owners. "I



turned my \$1,100 into \$1,300 and was pretty happy about that," Sinyard recalls, "but then I thought, 'What do I do next?'"

Sinyard's answer was to persuade his dealer-customers to make up for his lack of capital by paying in advance for their next order. According to Chris Murphy, product manager/bikes at Specialized, such trust and responsiveness remain the foundation of the company's relationship with the 1,200 dealers who stock its bikes and the 4,000 dealers who market its equipment line. Specialized offers everything from component parts to cycling helmets, gloves, and apparel.

In turn, Murphy says, dealers are quick to recommend Specialized products to customers, which helps account for the firm's steady sales growth.

Sinyard recalls that he soon became uneasy about operating solely as a distributor of others' goods. He decided to take a whirl at selling designs of his own. Specialized's first home-grown product, introduced in 1978, was a durable, high-performance tire that Sinyard named the

Turbo. "Sales really took off," he says.

Next to market was the product that would forever change not only Sinyard's company but also the entire bicycle industry. In 1981, Specialized began selling the "Stumpjumper," the world's first mass-produced ATB. Its design was a hybrid of Sinyard's durable, no-frills childhood bikes and the lightweight 10-speed bikes of his adolescence. The Stumpjumper differed so much from other bikes that an original model now resides in the Smithsonian Institution in Washington, D.C.

Advertising for the Stumpjumper proclaimed, "This is the bike for all reasons." At the very least, it proved to be the comfortable, easy-to-ride bike of choice for America's aging but fitness-oriented baby boomers. Sinyard's 1981 production run of 500 bikes sold out quickly.

By the next model year, high-volume players in the international bike industry, such as Schwinn and Raleigh, also had ATBs in their product lines and, like Specialized, were selling as many as they made. U.S. bike sales this year will

approach \$4 billion, according to the National Sporting Goods Association, and ATBs could account for as much as two-thirds of that total.

Over the years, Specialized's cutting-edge products have included a self-sealing inner tube that the company says will eliminate more than 90 percent of flat tires, a three-spoke wheel designed to cut bike racers' times, and tough but light bike frames made of carbon fiber, metal composites, and other high-tech metals.

"We are riders ourselves, and we really have used that firsthand knowledge to continue to improve the technology," Sinyard says. Specialized's innovations, he says, have led to bikes that are more durable, easier to ride, and, of course, faster than their predecessors.

"Since the very beginning," Sinyard says, "my measurement of success has been what [Specialized] can do to make better products for the customer. Don't get me wrong, sales also are a very important measure, but if that is the only drive, then the company won't make it."

A Business With Sole

By Meg Whittemore



Bernie Kathman, right, and son Buck care about those whose shoes they repair.

If you think those high-priced new shoes that the dog chewed up are beyond repair, think again. Kathman Goodyear Shoe Repair Co. in Cincinnati specializes in resurrecting shoes and boots that look like lost causes. Customers from all over the world send their shoes and boots to Kathman for repairs and maintenance.

Such full-service shoe-repair shops—where all the work is done on-site by skilled cobblers—are rare. "We are the last shoe-repair shop in Cincinnati that gives full service—top to bottom—on

shoes and boots," owner Bernie Kathman says, "and we do all the work right here."

He welcomes specialty orders, and he handles orthopedic work himself. Orthopedic orders are "time-consuming," Kathman says, "but I think it's important to give our customers that kind of dimension to our services."

Helping customers with their individual needs is how Kathman Goodyear Shoe Repair has survived since Kathman's father opened for business in 1916.

"Dad's philosophy was that you took care of the customer, and the customer

took care of you," says Kathman, 65. It seems to work. The business has survived the onslaught of shoe-repair chains offering quick turnaround. "Our customers come to us because they know we will do whatever it takes to repair their shoes and send them away smiling," Kathman says.

For weatherproofing and a shine, shoes usually must be left for a day. Repairs such as restitching or sole and heel replacement require shoes to be left for several days. The shop handles more than 150 pairs of shoes daily.

One of the machines in the back of the store is 75 years old and is used only for internal stitching in a man's loafer. Another handles the delicate internal stitching needed for a woman's dress shoe.

Like the machines, the company's 13 employees are specialized. "We have found that if our people stick to one area, the result is more efficiency and higher productivity, and they are happier," Kathman says. Repairs to men's shoes and women's shoes are separate specialties, as are dyeing, cleaning and shining, and repairs to purses and garments.

Annual sales average \$350,000, and the store's general manager, Kathman's son Buck, 47, is developing plans to take the business to the next level of growth. "He is progressive, where I am lagging," says Bernie Kathman. He adds: "I'm trying to throttle back a little." Yet he is on duty every day, working with his customers, remembering their first names and their families—always adding the personal touches that customers appreciate.

"When I go to Kathman's, I feel as if I am bringing my shoes to a friend to be fixed," says longtime customer Jeanette Tepe. "They care about what they do."

MAKING IT

How To Get Hot—But Stay Cool

By Rosalind Resnick

Just last year, Kevin Smith was working in an environment more akin to that in the movie "Animal House" than to an executive suite. Co-founder and CEO of Symbiosis Corp., a fast-growing Miami manufacturer of medical devices, Smith, then 34, had snow skis propped against the wall and a desk so cluttered you couldn't see the top of it. Among the company's top brass, memos were out, blue jeans were in.

Smith's employees were an unusual bunch, too. Several used to work as "roadies," or stagehands, for touring rock groups. Some kept guitars in their offices.

"We put tremendous effort into making Symbiosis the coolest place in the world to work," Smith said back then. "At Symbiosis, you're not allowed to be uncool."

These days, Smith's office has changed, and so has his company. No longer a start-up, Symbiosis now has 540 employees and a sprawling, 160,000-square-foot headquarters and manufacturing plant in suburban Miami. The new headquarters includes a giant "clean room," a row of casting ovens to mold disposable surgical tools, a boardroom with a huge gray maple table, a fitness room, and a company cafeteria. Smith's office is tastefully appointed with black leather designer furniture, his glass-top desk is immaculate, and the skis are nowhere in sight.

Nevertheless, Smith bristles at the idea that his company, which posted 1991 revenues of \$15 million, has gone corporate. Though Smith wears suits and ties more often these days and recently traded his Lotus Esprit Turbo for a somewhat more conservative Acura NSX, he says that Symbiosis' free-spirited culture hasn't changed—and that it never will as long as he runs the company.

Four years ago, Smith, a whiz kid who dropped out of the Massachusetts Institute of Technology because he thought it was a waste of time for him, was working at Cordis Corp., a Miami company that manufactured cardiac pacemakers. Charles Slater, his boyhood pal, was running a sports-car repair shop.

The two self-taught engineers took an oath that they would create an environment where talented technical types could do what they want, say what they want, and make the kind of money that would enable them to own expensive, fast cars. (The two were later joined by Bill Box and Tom Bales, both former Cordis engineers; the four co-founders have since shared stock ownership with other managers.)

They picked the right products: disposable surgical instruments. Symbiosis markets its disposables as less costly and more sanitary than the reusable surgical tools that now dominate the market. Sam Navarro, a research analyst at Needham & Co. in New York, says the disposables market could easily top \$2.5 billion a year by 1995.

It wasn't long before Symbiosis' surgi-



PHOTO: SHEN TOUCHTON

cal instruments began to attract attention. Smith recalls attending a conference of the American College of Surgeons in the fall of 1990 and packing some product samples in his briefcase.

One company was so eager to sell Symbiosis' products, Smith says, that it offered its corporate plane to Symbiosis as a good-faith deposit.

Ultimately, though, Smith decided to team up with a big-name corporate partner—the Ethicon division of Johnson & Johnson. The contract, signed in late 1990, licensed Ethicon to market Symbiosis' laparoscopic instruments, which are inserted through a patient's navel during abdominal surgery. The contract provided the fledgling company with several

million dollars in working capital—enough to fuel much of Symbiosis' early growth and eliminate the need to hire a costly direct-sales force.

Even before the deal with Johnson & Johnson, Symbiosis had made a deal for Boston Scientific to sell its line of disposable biopsy forceps. Today, while Johnson & Johnson and Boston Scientific remain Symbiosis' two largest customers, the Miami company is increasingly running on its own power. It expects sales of \$48 million in 1992. Smith says there are no plans to take Symbiosis public—the company has enough money to fund its growth from ongoing operations, and besides, he



Kevin Smith, CEO of Miami-based Symbiosis Corp., oversees the manufacture of disposable surgical instruments that are on the industry's leading edge of innovation.

says, "cashing out is just another name for selling out."

Though Smith and the three other founders still design many of the surgical tools themselves, the company recently hired eight more engineers to do such work. The company's key executives still have lunch together when everybody's in town, but they increasingly communicate via cellular telephones.

Smith isn't sentimental about the company that Symbiosis used to be. He says he's confident that, no matter how big it gets, Symbiosis will manage to retain its entrepreneurial esprit de corps.

"Companies are people," he says. "If you invest in good people, you get that back a zillion times over."

Rosalind Resnick is a free-lance writer in Hollywood, Fla.

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Entrepreneurs To The Rescue

By Albert G. Holzinger

The harsh economic realities of the 1990s have put government officials across America in a bind: In the face of rising costs and declining revenues, how can they maintain the scope and quality of public services that voters expect?

A number of city, county, state, and even federal officials are turning to the private sector for at least part of the answer. They have allowed businesses of all sizes to take over many of the services formerly performed by civil servants and even some of the facilities traditionally built, owned, and operated by governments.

This process, which is both a new form of governance and a throwback to earlier times, is most commonly called privatization, a term coined by management guru Peter F. Drucker in his 1968 book, *The Age of Discontinuity*.

This increasing reliance on the private sector could mean substantial growth opportunities for your business.

Ask David G. Price, chairman and chief executive officer of American Golf Corp., based in Santa Monica, Calif. He founded American Golf in 1970 to operate three courses in Southern California. Today, his management portfolio has grown to almost 150 courses nationwide; many are public courses owned by municipalities.

Price says the tale of woe he hears from local officials interested in contracting for his firm's services almost always goes something like this: "Our golf course and its clubhouse and golf carts are in hideous condition, and there is no money in the municipal budget to refurbish them. The number of players is plummeting, and complaints from remaining golfers are soaring."

Price applies a standard business solution to the problems confronting down-trodden facilities, which he rents from their municipal owners and operates for profit: Spend \$1 million or more at the outset to improve the course and related infrastructure, staff the course from parking lot to putting greens with courteous and qualified employees, and market the improvements vigorously.



PHOTO: GARY BARTHOLOMEW

Today's cash-strapped governments often can't provide the services that citizens demand. But maybe your business can.



The results usually are as positive for the governments that contract with American Golf as they are for affected golfers, says Price. For example, he says, New York City was losing as much as \$2 million a year on the five golf courses it owns before it turned their management over to American Golf in 1983. Now, each course generates up to \$200,000 a year in rent for the city, depending on its annual revenue.

Similarly, Fairfax County, Va., has been saving transit dollars since 1990, when it contracted with ATE Management & Service Co. Inc. to provide bus service to three stations on the Metrorail rapid-transit system serving the Washington, D.C., area. Previously, the county had been served exclusively by buses operated by the Washington Metropolitan Area Transit Authority (Metro), a government agency created by the District of Columbia and surrounding jurisdictions.

Christopher W. Jenks, Fairfax County's chief transportation planner, says the county provides Cincinnati-based ATE Management with buses, a maintenance facility, fuel, insurance, and planning and marketing support; ATE operates and maintains the fleet. Buses owned and operated by the regional transit authority cost about \$4.85 per mile, while the buses owned by Fairfax County and operated by ATE cost about \$2.60 per mile—a figure that includes the county's costs as well as ATE's.

"Even though we both use basically the same union employees, we're about 50 percent cheaper than Metro," says James M. Krumke, regional vice president of ATE. The reason, he says, is that ATE can run its business operations "more efficiently and effectively" than the transit authority can.

Generally, savings from privatization

The volume of play usually increases when American Golf Corp. takes over management of a golf course from its municipal owner. The firm's commitment to meticulous maintenance is evident here at the Brookside Golf Course, in Pasadena, Calif.

COVER STORY



PHOTO: SAM CHIFFELL

Child-support services on behalf of the state of Tennessee are supplied by Policy Studies Inc. employees Mary Boyd, right, and Autumn Woods.

average closer to 25 percent, according to E.S. Savas, management professor at Baruch College in New York and an internationally recognized expert on the subject. Other routine benefits of privatization include improved quality, faster implementation, and greater flexibility to

institute, modify, or discontinue a service, according to several surveys of public officials.

In many respects, the current wave of privatization represents a return to the way things were done in America during decades past. Private ownership of toll

roads and bridges dates back to the nation's earliest days, when entrepreneurs were responsible for constructing those facilities and paying for them by collecting tolls.

Golf courses were the province of private clubs and other organizations until the growing popularity of the game prompted municipalities to build and operate facilities.

For many communities, refuse collection long meant householders carting their trash to the municipal dump.

The federal government officially recognized the advantages of privatization more than 35 years ago in Circular A-76, which was issued pursuant to an executive order. Circular A-76 requires agencies to contract with the private sector whenever that option would cost taxpayers less than providing comparable goods and services with federal employees. Compliance with the directive has been sporadic, however.

On the local level, municipal governments, especially in less-populated counties and cities, have long contracted-out "housekeeping" services such as vehicle towing and storage.

However, interest in privatization grew explosively in scope and intensity throughout the 1980s under the market-oriented administration of President Reagan. Longtime observers agree that this interest is at an all-time high today, not

What Municipalities Buy Or Lease From The Private Sector

In a survey by the Deloitte & Touche accounting firm, more than 1,000 officials of major U.S. cities and counties indicated services they had purchased and facilities they had leased from the private sector from 1983 through 1987. Following are the percentages of those who said they used the private sector, by category of service or facility.



Services

Services	Percentage
Solid-waste collection and disposal	59
Vehicle towing and storage	45
Building and grounds maintenance	43
Administration (legal, accounting, payroll, debt collection, etc.)	36
Traffic-signal and street-lighting maintenance	32
Data processing	31
Street maintenance and snow removal	29
Vehicle maintenance	21
Convention, cultural, and leisure activities	19
Transit-related services	17
Emergency and health-care services	16
Elderly and handicapped services	12
Airport services	11
Meter reading and utility maintenance	10

Facilities

Facilities	Percentage
Roads, bridges, and tunnels	34
Street lights	30
Sewers and waste-treatment plants	30
Landfills and recycling facilities	22
Water mains and treatment plants	22
Office buildings and garages	19
Housing	11
Telecommunications	11
Convention and leisure facilities	10

The Governor's Massachusetts Revolution



PHOTO: © BRAD MARTEL—GAMMA LIAISON

Gov. Weld: "Performance-based budgeting."

In 1987, the Minuteman Flames Minor Hockey Association, which conducts competitive and recreational skating programs in central Massachusetts, began urging the state Department of Environmental Management to satisfy an increasing demand for ice time by keeping rinks open into the summer.

But the department was already losing almost \$800,000 on its 40 rinks during an abbreviated operating year, and the requests of Flames President Larue Renfro were repeatedly denied.

Then, in 1991, a breakthrough occurred. The state formulated a pilot program under which it would contract with a private firm for operation of four rinks.

If the arrangement proved satisfactory, the remaining rink operations would be privatized.

The Terms

With the encouragement of 20 to 30 other frequent users of the rinks, Renfro's organization formed a subsidiary, the Central Massachusetts Arenas Co., which bid for and won a three-year operating contract beginning last year.

Under the contract's terms, the state will receive modest rental income of \$36,000 a year, rink operating seasons will be extended, and facility maintenance will be staggered so that at any time of the year at least one rink will be open.

"We still consider ourselves part of the [state-rink] system and participate in workshops, committee meetings, and the like," says Operations Manager Wes Tuttle. "In fact, other than the extended season, nothing really has changed from the way the rinks used to be operated." Tuttle notes that all but one of his employees are former state workers.

Renfro, who now speaks on behalf of management as well as users, says that "there was not one problem in the transition" from public to private management,



PHOTO: SPICK FRIEDMAN—BLACK STAR

Ice time is available to skaters year-round at privatized rinks in Massachusetts.

and "most important of all, users have been extremely happy."

The entire government of Massachusetts—not just its hockey rink system—was skating on extremely thin financial ice when Gov. William F. Weld took office in January 1991.

Weld's legacy from Gov. Michael S. Dukakis consisted of several consecutive budget deficits, despite high personal and business taxes. This condition stemmed from Dukakis' self-professed conviction that a big, interventionist bureaucracy was the best vehicle for delivering public services.

In contrast, Weld embraces the theory that government should "steer, not row," the ship of state, and he has moved aggressively to establish Massachusetts as a leader in privatization.

"Weld is very much committed to the concept [of privatization] and is intent on actively implementing it," says John R. Guardiano, managing editor of *Privatization Watch*, a monthly newsletter published by the Reason Foundation, a privatization research and advocacy organization based in Los Angeles.

"Indeed," says Guardiano, Weld's effort in Massachusetts "is the most ambitious attempt ever by any state governor to privatize state assets and service responsibilities."

A Widening Scope

Less than six months after taking office, Weld emphasized the seriousness of his privatization goals by assembling about 60 of his cabinet secretaries and their key deputies for an all-day "summit conference" at which he ordered privatization to be implemented to the greatest extent possible.

Subsequently, Weld established a Privatization Support Group in the Administration and Finance Secretariat, the state's equivalent of the federal Office of Management and Budget.

The support group of state budget and administrative experts helps government agencies evaluate bids, gives advice on writing and monitoring contracts, and supplies cross-agency coordination for shared functions that might be privatized.

Weld also instituted what he calls "performance-based budgeting" in an effort to measure the success or failure of individual government functions. This approach, says Weld, "allows for a real assessment of performance, with quantitative goals for the dollars to be spent and the services to be delivered . . . [It] sheds light on exactly what taxpayers are buying with their dollars and allows someone in the private sector to identify services that he or she might be able to perform more efficiently."

Privatization initiatives that are under way, planned, or being explored by Weld now involve virtually all government services, from corrections to public health and safety, from motor-vehicle registration to consumer protection. Weld's aides even have begun assessing the potential benefits of selling pieces of the state infrastructure, from the Massachusetts Turnpike to Logan International Airport in Boston.

The Issue

The desired results of this widespread activity appear similar to those achieved by privatizing management of the four central Massachusetts skating rinks: converting a deficit into a modest profit without an adverse impact on service quality.

In a speech this past April in Washington, D.C., Weld succinctly explained his philosophy and the results to date:

"The issue [underlying privatization] is not public vs. private. The issue is monopoly vs. competition. We've learned in Massachusetts that letting the profit motive and competition in on the process of government . . . can greatly benefit the state."

Good Sources Of Federal Contracts For Small Firms

These 12 U.S. government entities awarded at least 25 percent of their contract dollars to small businesses in 1989.

Federal Agency	Small-Business Share		For More Information
	Value In Millions	Percentage Of Contract Dollars	
Department of Commerce	\$152.0	38.1%	202/377-3387
Department of Housing and Urban Development	80.5	42.9	202/708-1428
Department of the Interior	396.5	48.9	202/208-8493
Department of Justice	364.1	46.1	202/501-6271
Department of State	157.3	41.6	703/875-6823
Department of Transportation	390.6	36.0	202/366-1930
Department of the Treasury	249.3	27.1	202/622-0540
Department of Veterans Affairs	455.8	29.7	202/376-6996
General Services Administration	839.8	27.0	202/501-1021
Nuclear Regulatory Commission	17.4	30.8	301/429-4667
Peace Corps	4.7	42.0	202/606-3530
Smithsonian Institution	17.1	51.4	202/287-3343

Source: U.S. Small Business Administration

only in this country but also throughout the world.

Apart from the philosophical reasoning, another motivation underlying the shift toward a leaner, more efficient public sector is "the worst ... government fiscal crisis since the Great Depression," writes Lynn Scarlett, editor of *Privatization 1992*, a monograph by the Reason Foundation. The foundation, in Los Angeles, is a leading national privatization research and advocacy organization.

The federal government's fiscal condition has been widely reported and ana-

lyzed. In summary, this year's budget deficit will be about \$400 billion, which will increase the federal debt to about \$4 trillion. Servicing the debt already costs taxpayers some \$200 billion a year, or about 14 percent of federal spending.

Most state governments also are in woeful financial condition. According to the National Conference of State Legislatures (NCSL), more than half of the states face deficits this year, although all states except Vermont are required by state laws to balance their operating budgets. (See the chart "States Under

COVER STORY

Pressure To Balance Their Budgets," on Page 28.) Even before this year, total state operating and capital debt reached more than \$880 billion, according to the Federal Reserve System.

Numerous local governments across America have fallen on hard fiscal times, too. Some 40 percent of counties with populations of more than 100,000 face revenue shortfalls averaging \$8.3 million this year, according to the National Association of Counties. And more than 25 percent of cities face budget deficits of at least 5 percent in 1992, according to the National League of Cities.

Two recent nationwide studies document the widespread and growing extent to which public officials are calling on entrepreneurs to rescue them from their seas of red ink.

The Deloitte & Touche accounting and consulting firm found in a 1987 survey that 80 percent of U.S. medium-sized and large cities and counties privatize to some extent or plan to do so. Of those, nearly all have contracted or plan to contract for services, about 40 percent have privatized or plan to privatize facilities such as highways and convention centers, and almost 25 percent have sold or plan to sell such assets as airports to private owners.

Apogee Research Inc., a consulting and research firm based in Bethesda, Md., contacted officials of all 50 states this year concerning their plans for privatization. An overwhelming 85 percent of respondents said they believe that some form of privatization will be a prominent tool for them in providing services and facilities in the decade ahead—up from 50 percent in a similar survey conducted by Apogee in 1989. Officials from every state responding to the newer study currently contract for services or plan to do so; 80 percent plan to privatize facilities or have done so; and about 55 percent have sold assets or plan to sell some.

All of these percentages are substantially higher than their counterparts in the 1989 Apogee survey.

Moreover, in study after study it has been found that privatization currently appeals to Democratic and Republican politicians alike, which suggests even further growth potential. "There is very little ideology behind today's decisions to privatize," says John P. Giraudo, an attorney in the Washington, D.C., office of the New York-based law firm of Skadden, Arps, Slate, Meagher & Flom.

Giraudo, who served as general counsel of President Reagan's commission on federal privatization opportunities, adds: "There's an across-the-board feeling now that the political structures that were useful at the turn of the [20th] century and during the New Deal era are no longer useful, ... and that government has to become more entrepreneurial."



PHOTO: T. MICHAEL KEZIA

Bus operations managed by James M. Krumke's firm, ATE Management, cost about half as much as those run by the Washington, D.C., regional transit authority.

The powerful surge toward privatization translates into specific opportunities in numerous lines of business. Services most frequently contracted-out by respondents to the Deloitte & Touche survey are as varied as solid-waste handling, vehicle towing and storage, building and grounds maintenance, and accounting, data processing, and debt collection. (See the chart "What Municipalities Buy Or Lease From The Private Sector," on Page 22.) Among the hot or novel areas of services privatization are education and social services.

Some 200,000 public-private education partnerships have been forged already, with the number increasing almost daily. These partnerships range in scope from contracts for providing advanced math and science equipment, to conducting special classes for disadvantaged or gifted students, to running entire public schools.

The city of Baltimore recently contracted with a private firm, 5-year-old Education Alternatives Inc. (EAI) of Minneapolis, to run nine of its 159 public schools. The cost to the city will be about the same as continued public operation, or about \$26 million, but the company says it will improve student performance by conducting small classes with two teachers in each, constructing individual lesson plans for each pupil, installing computers in every classroom, and encouraging parental involvement.

"This type of arrangement will probably be the wave of the future. We feel comfortable that this [arrangement] will be successful," Dr. Charlene Cooper-

Why Cities Do Or Don't Privatize

Last year, the Reason Foundation, a California-based research organization, asked leaders of 24 large U.S. cities to state the pros and cons of privatization. Here are the leading responses.

Pluses	Percentage
Saves money	81
Allows more services	44
Provides flexibility	44
Allows faster implementation of services	44
Leads to higher service quality	25
Solves political problems	13
Solves labor problems	6
Minuses	Percentage
Resistance from public-employee unions	85
Reluctance of elected officials	54
Opposition of citizens' groups	23
Legal, regulatory impediments	15

Source: Reason Foundation

Boston, director of central district schools in Baltimore, recently told *The Christian Science Monitor*. Said John Golle, chairman and chief executive officer of EAI: "Every child has gifts and talents; it's our job to find and nurture them."

Benno Schmidt Jr. recently announced his resignation as president of Yale University to become president and chief executive officer of the ambitious Edison Project. The project, launched by communications entrepreneur Christopher Whittle of Knoxville, Tenn., intends to establish 200 for-profit elementary and secondary schools for 100,000 students by 1996.

In the field of social services, says author Scarlett, the number of private firms winning contracts has increased rapidly in recent years. The firms are providing services such as job placement for welfare recipients, management of homeless shelters, operation of drug- and alcohol-treatment programs, mental-health program administration, and collection of delinquent child-support payments.

Policy Studies Inc. of Denver recently became the first company in the United States to administer the full range of federally mandated child-support services on behalf of a state government, says Vice President Vikki Williams. Services provided by the firm in several counties in Tennessee include establishing paternity, working through the courts to set child-support payments, and collecting delinquent payments through mechanisms such as garnisheeing wages and filing liens on property.

Collections of delinquent payments already are "up a lot," says Williams, "which we didn't expect the first year." The increase is attributable to enlargement of the staff, she explains, a new pay plan with incentives for increased collections, and the purchase of computers and other productivity-enhancing technology for Policy Service's two offices. "Tennessee didn't view the child-support enforcement as a wise investment," Williams says. "Obviously we do."

New business opportunities also may come in the form of facilities privatization. A growing number of cash-strapped mu-

Continued on Page 28

On The Road To Privatization

State officials and potential private investors have spent years discussing the pros and cons of privatizing selected elements of America's transportation infrastructure, but few transactions have been concluded, notes Irwin T. David, senior vice president of Apogee Research Inc. He adds, however, that he expects the talk to give way soon to action.

"In the coming years you are going to see a lot more privately owned highways, bridges, tunnels," and the like, says David, whose Bethesda, Md., firm provides consulting and research services to public- and private-sector clients exploring privatization opportunities. This forecast, echoed by other privatization experts, is based in substantial part on provisions of the highway legislation enacted last year and a related executive order issued this past spring by President Bush.

The 1991 law, called the Intermodal Surface Transportation Efficiency Act

(ISTEA), "will strongly encourage many states to seriously consider selling [their existing infrastructure] and encourage them to invite private-sector financing of future infrastructure improvements," says John P. Girardo, an attorney with the Washington, D.C., office of the New York-based law firm of Skadden, Arps, Slate, Meagher & Flom. Girardo served as general counsel of the commission created by President Reagan to explore federal privatization opportunities. Key provisions of the law permit federal funds to be used by states as partial payment for:

- Constructing toll roads and rebuilding free roads as tollways, except on the interstate highway system.

- Rebuilding free bridges and tunnels as toll facilities.

"Until now, it has been virtually unheard-of for federal funds to be used for any toll facility and certainly not for one that commingles federal and private funds," says Roger D. Feldman a Wash-

ington, D.C., attorney who specializes in privatization matters for the Chicago-based law firm of McDermott, Will & Emery.

President Bush's executive order of April 30 is aimed at "promoting private investment in local infrastructure ... as part of the president's regulatory initiative coordinated by the Council on Competitiveness," according to a White House spokesman.

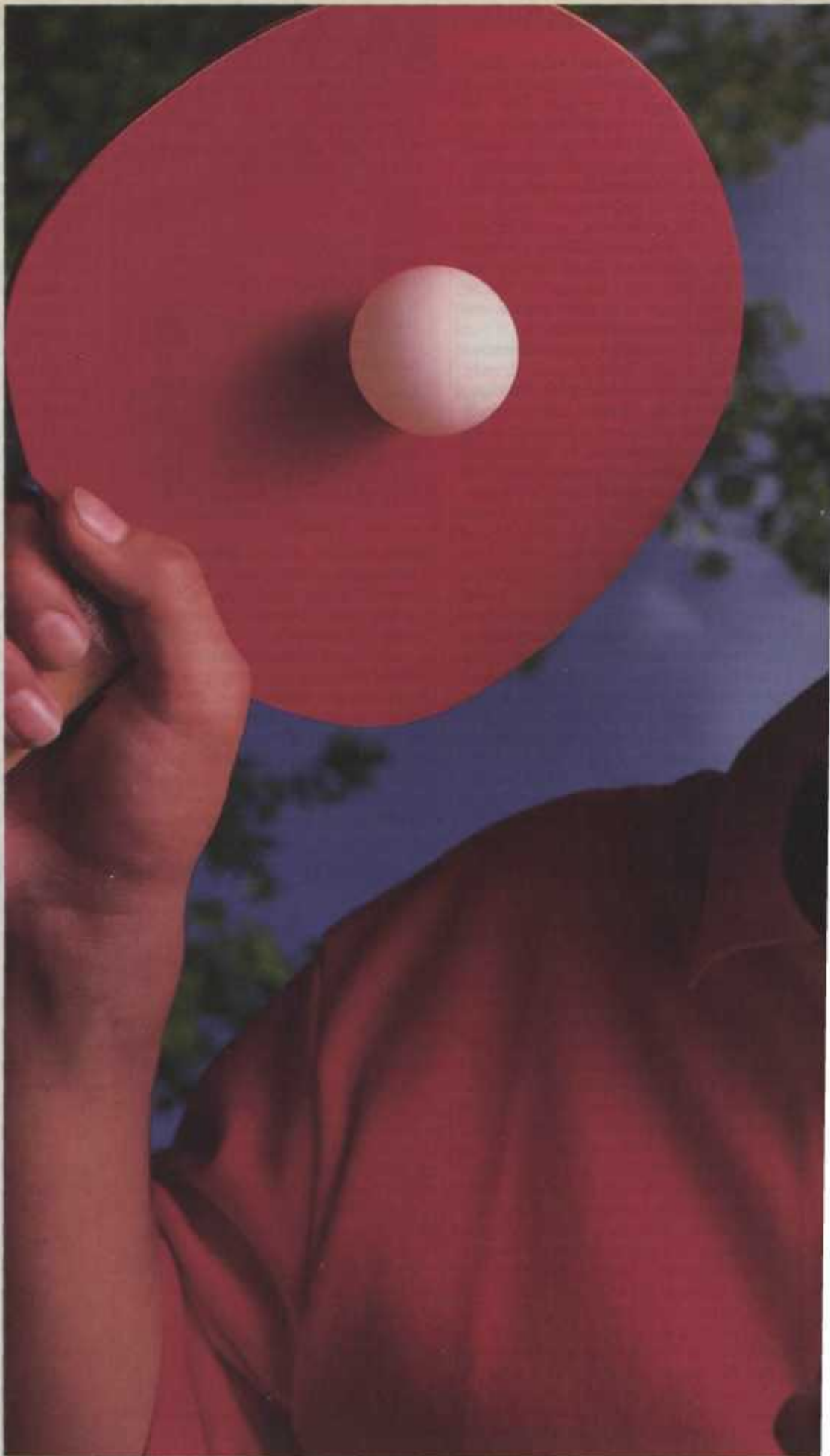
One provision allows states to retain more of the proceeds from the sale to private parties of infrastructure built in part with federal funds. Another provision directs the federal Department of Transportation to provide "about 15 states over the next year" with technical training that will enable them to draft legislation to complement ISTEA.

Arizona, California, Florida, Puerto Rico, Texas, and Virginia already have passed private-tollway legislation, and they have—or soon will have—projects under way, according to the Reason Foundation, a privatization research and advocacy organization based in Los Angeles.

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is sweeping the
nation. Sales are
bouncing through
the roof. And my
competition is
swatting air.
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insurmountable
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5-Year Average Annual Growth: 85%
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States Under Pressure To Balance Their Budgets

A compelling case for increased privatization probably can be made to officials of the 31 states that face a revenue shortfall this year.



Source: National Conference of State Legislatures

Continued from Page 25

municipalities are considering entering into private-sector partnerships for repairing and building infrastructure; other jurisdictions are contemplating outright sale of infrastructure assets to private owner-operators.

"There are lots of infrastructure assets that governments simply cannot adequately keep up by themselves," says Roger D. Feldman, a Washington, D.C., attorney who specializes in privatization matters for McDermott, Will & Emery, a Chicago-based law firm. A partnership with a private firm to renovate those assets or build new ones translates into "dollars in the pockets of governments but at no loss of service to citizens," he says.

To date there has been much talk about major infrastructure privatization but not much action to complete deals, although that could change soon. For example,

several provisions of the 1991 federal Intermodal Surface Transportation Efficiency Act and a subsequent executive order by President Bush should provide an enormous boost to the privatization of transportation infrastructure. (See the box on Page 25.)

Although private-sector businesses have yet to acquire a high-profile infrastructure facility or contract, that too could change soon.

For example, Gov. William F. Weld last year floated the possibility of selling the Massachusetts Turnpike, which runs the width of the state between Boston and New York state. Almost immediately he received three serious purchase inquiries from prospective private owners, and the prices were reported to be about \$1 billion. State officials are evaluating the proposals.

California, Indiana, Maryland, New Jer-

sey, and New York are among the jurisdictions openly considering the sale of at least one airport, and they have substantial encouragement from the private sector.

Small and mid-sized firms seem to be gaining their fair share of the privatization action of all types.

In 1989, Research Dimensions Inc., a research and consulting firm based in Alexandria, Va., analyzed federal contracting under Circular A-76 in the Department of Defense and in selected civilian federal agencies. The survey, which covered the fiscal years 1985 to 1987, discovered that small businesses won 398 of the 539 A-76 contracts awarded by the Defense Department, for a total of more than \$601 million. Among the civilian agencies, small businesses were awarded 154 of the 254 contracts, for a total of over \$102 million. (See the chart "Good Sources Of Federal Contracts For Small Firms," on Page 24.)

The U.S. Small Business Administration's annual report to Congress for 1991 says: "Continuing research on small-business participation in state and municipal privatization activities across the country indicates that small firms are now awarded most of the contracts in smaller towns and rural areas. . . . The state and local governments studied reported that as many as 80 percent of their contracts with private firms were with small firms."

Moreover, the SBA report says that "most jurisdictions have provided support programs to encourage small firms to become active bidders. The range of support includes seminars and workshops, programs limiting competition to small businesses, and direct support in the form of financial, legal, and technical assistance." For example, Mayor Sharon Pratt Kelly of Washington, D.C., recently proposed reserving half of the District's contracts for small-business bidders.

Privatization represents "an awful lot of potential for small businesses, especially at the state and local levels," says Frank S. Swain, former chief counsel for advocacy at the SBA and now an attorney with the Baker & Daniels law firm in Washington, D.C.

Adds Jenny Heffernon, executive director of the Privatization Council, a Washington, D.C., nonprofit organization that creates partnership ventures among government entities and businesses: "In the past, [privatization has] fallen more to large organizations, but I'm seeing now where governments are breaking contracts up into small pieces so that, in fact, small businesses can compete. After all, governments usually don't care who provides the service, just that it gets done affordably and well."

The Latest Words On The Subject

Identifying and educating key government officials are the most important steps business people can take toward increasing privatization opportunities in states and communities, privatization experts and advocates say.

Finding the relevant bureaucrats in your local and state governments will require phone work and legwork; educating them will require homework.

In doing that homework, read at least one of the many excellent books that have been written in recent years in support of privatization. Your local library is likely to have several, and your local bookstore is apt to have one of the newest and best:

Reinventing Government, How the Entrepreneurial Spirit Is Transforming the Public Sector, by David Osborne and Ted Gaebler (Addison-Wesley, 1992).

Another excellent—and current—choice is *How Privatization Can Solve America's Infrastructure Crisis*, a compilation of monographs edited by Edward L. Hudgins and Ronald D. Utt (Heritage Foundation and National Chamber Foundation, 1992).

An almost overwhelming quantity of invaluable resource material is available from two organizations that promote formation of public-private partnerships: The Privatization Council, 1101 Connecticut Ave., N.W., Suite 700, Washington, D.C. 20036, (202) 857-1142; and the Reason Foundation, 3415 South Sepulveda Blvd., Suite 400, Los Angeles, Calif. 90034, (310) 391-2245.



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MANAGING

Ways To Save On Energy Costs

By David Warner

Firms are adopting tactics and technologies to use energy more efficiently. Here are steps you can take.



PHOTO: GARY DAVIS—BLACK STAR

Energy-efficient lighting has helped cut utility costs at Fox River Mills, an apparel manufacturer in Osage, Iowa, says John Machin, superintendent of the plant.

Energy consumers are becoming acutely aware of their rising utility bills as summer temperatures push the mercury higher and the air-conditioning thermostats lower. And businesses nationwide are taking actions to reduce those utility bills.

Companies are investing in efficiency measures and new technologies to cut their energy use and to make better use of the energy they do consume. And their efforts are benefiting their communities as well. Increased energy efficiency means less demand on power companies, less use of energy resources, less burning of fossil fuels such as coal and oil, and lower costs to consumers.

Indeed, the efficiency methods used by the businesses and residents of Osage, Iowa, for example, are saving commercial and residential energy consumers there \$1 million a year in utility costs, and they have helped the local power company delay adding expensive generating capacity. (See the box on Page 30.)

One of the companies in Osage making better use of energy is Fox River Mills, a manufacturer of gloves and athletic socks. Fox River Mills spent about \$40,000 on measures to improve energy efficiency, which reduced the company's monthly utility bill by about \$3,000, says the plant's superintendent, John Machin.

The company installed energy-efficient ballasts in 600 fluorescent lights, moved the lights closer to the work being performed, added six inches of insulation to outside walls, installed white steel inner walls to reflect light, and directed wasted heat from air compressors and boilers inside its facility to heat part of the building in the cold months.

Lighting, heating, and cooling, which account for more than half of the average business's energy bill, are areas where—as Fox River Mills has shown—companies can realize savings through relatively inexpensive efficiency measures. Costlier efficiency measures include replacing old furnaces, boilers, and air conditioners

with new-generation heating, ventilation, and air-conditioning systems—also known as HVAC systems. Bull Moose Tube Co., a 100-employee firm in Gerald, Mo., cut its operating costs by 36 percent when it installed such a system. Project engineer Patrick Unroe says, "We can control the [work] environment much better and keep the plant warmer with the new system, and it still costs us less money" than the old system.

Other "space-conditioning" technologies include heating equipment fired by natural gas or by solar energy, absorption chillers for cooling, and systems that lower indoor humidity.

Production processes are other areas where businesses can gain substantial savings if they can afford new technologies, such as variable-frequency drive motors, more-efficient boilers, waste-heat recovery systems, and infrared heaters.

Fox River Mills is installing a \$40,000 system to heat 60,000 of the 90,000 gallons of water it needs each day for washing and dyeing its knitted products. The new system is more efficient and will save the firm about \$2,000 a month on its gas bill, says Machin.

A small business must carefully consider the pay-back period—the time it takes to offset the cost of the efficiency measures with savings in energy costs. When the cost of capital is high, many companies may be reluctant to invest in efficiency measures with pay-back periods longer than about four years, say energy-efficiency experts.

"Unfortunately, a lot of companies demand a very quick pay back and, in some cases, aren't willing to invest in measures that have even a two- or three-year pay back," says Howard Geller, executive director of the American Council for an Energy-Efficient Economy, in Washington, D.C. "They're passing up important opportunities."

In the short run, the costs of imple-

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menting efficiency projects might exceed a company's gain in energy savings or increased production, says Geller. But in the long run, businesses can only benefit from getting more out of the energy they already use. "The typical pay-back period is from one to three years," he says.

Says Eli Bergman, executive director of Americans for Energy Independence, in Washington: "It just makes good economic sense to be more energy-efficient."

Companies considering investing in energy-efficiency methods also should examine how—and for how long—their operations may be disrupted while improvements are being made, says Amie Ingber, associate manager for energy policy at the U.S. Chamber of Commerce. And she says firms should be mindful of

government policies that could affect the economy and thus business growth, and they should be aware of expected future demand for their products.

Small companies that want to find ways to use energy more efficiently can tap any of several sources. Among them are the following:

Utility companies generally offer programs designed to help customers consume less energy or use it more efficiently, says Keith Voight of the Edison Electric Institute, a membership association of electric-power and utility companies in Washington.

The programs usually include energy audits—often free or for a nominal fee—

and rebates or financing for the purchase of energy-efficient lighting and new-generation heating and air-conditioning equipment.

Energy Analysis and Diagnostic Centers (EADCs) at 22 universities throughout the country carry out an audit program for the U.S. Department of Energy. Engineering students from accredited schools conduct the audits, which include energy-efficiency recommendations and estimated costs of implementation.

Firms are eligible for the free service if they meet the following criteria: have gross annual sales of no more than \$75 million, consume energy at a rate of no more than \$1.75 million a year, employ no more than 500 people, and are located

How Energy Efficiency Works In Osage

Osage, Iowa, may look like any of the countless rural towns that dot the Midwest, but at least one characteristic sets it apart: Nearly every business and household in Osage has chosen to adopt one or more practices designed to increase the efficiency of energy use.

The power pragmatism throughout this town of 3,500 residents about midway between Des Moines and Minneapolis was born in the mid-1970s following the Arab oil embargo and the rapid rise of fuel prices. Osage businesses became concerned about escalating utility costs, and so did the local power company, Osage Municipal Utilities.

The power company had to worry about customers moving to states with lower utility rates and businesses failing partly because of rising energy prices. The company also had to contend with rising energy demands caused by industrial expansion—a demand that could have required adding costly generating capacity.

So, in 1974, the utility started an energy-efficiency program for the whole town to cut both business and residential customers' energy costs and to stabilize energy use. Today, the town is saving an estimated \$1 million a year in energy costs, mostly through simple, inexpensive efficiency measures, says Weston Birdsall, former general manager of Osage Municipal Utilities; he was responsible for the energy-efficiency effort.

The town's energy usage has increased 131 percent since 1974, but the efficiency measures have enabled the power company to handle the bigger load with little additional costs, Birdsall says.

Among the projects in Osage Municipal Utilities' Demand Side Management Program have been aerial thermograms—photographic images on infrared film to



PHOTO: JEFF DAVIS-BLACK STAR

Utility expert Weston Birdsall of Osage, Iowa, forecasts an "energy revolution."

show areas of heat loss from all the town's homes and businesses. The company made aerial infrared scans in 1979 and ground-level scans in 1985. Periodically, the utility does heat-loss checks with hand-held scanners; 60 percent of Osage's homes and businesses have been checked in that manner without charge.

Free energy audits of businesses were followed with recommendations to companies on insulation, lighting, heating, cooling, and production processes that could reduce energy costs. In addition, the utility has given away 750 energy-efficient

compact fluorescent light bulbs.

The street lights in Osage were replaced in 1981 and 1982 with more-efficient high-pressure sodium lights, a project that paid for itself in energy savings in four and a half years.

And virtually the whole town participates in the load-management program, which lets the utility cut power to customers' air conditioners—at various times—for up to seven minutes a day during peak hours in summer. To spread more cooling shade over Osage—and thus cut air-conditioner use—after many of the town's elm trees succumbed to Dutch elm disease, the power company bought a hydraulic tree planter in 1975 and planted trees furnished from its own nursery.

Birdsall, who retired in May after 20 years with Osage Municipal Utilities, says the company was often asked why a utility would encourage customers to lower their energy usage and costs. "Our answer has always been: 'We'd rather see [customers] use less utilities than none at all.' If we help them become more efficient, they will thrive, remain in Osage, and probably hire more people."

Fox River Mills, a manufacturer of athletic socks and gloves, has implemented a number of energy-efficiency measures in the past two years, helping the company increase production by 27 percent, add 40 employees, and cut the utility cost of producing its socks from 48 cents a dozen to 34 cents a dozen.

Energy efficiency in Osage has been popular not only because it cuts customers' costs and saves the utility company from building a new power plant but also because reduced use means less pollution. And those benefits of efficiency are fostering an "energy revolution" across the country, says Birdsall. "In short," he says, "the energy revolution is taking shape because it makes economic and environmental sense."



PHOTO: GUY EMMERSON-BLACK STAR

A modern system for heating and cooling the Bull Moose Tube Co., in Gerald, Mo., keeps the plant comfortable and costs less to operate, says project engineer Patrick Unroe.


within 150 miles of an EADC. For more information on the program and the EADC nearest your business, call (215) 387-2255.

The Office of Technical and Financial Assistance in the Department of Energy disseminates information to electric utilities, industry, researchers, and consumers about efficiency technologies, and it also provides technical assistance for the installation and use of the technologies. Call (202) 903-4340.

The American Council for an En-

ergy-Efficient Economy also can provide information on efficiency measures. Contact the council at 1001 Connecticut Ave., N.W., Washington, D.C. 20036; (202) 429-8873.

The Construction Industry Manufacturers Association offers an extensive checklist to help companies conduct their own energy audits. The association can be contacted at 111 East Wisconsin Ave., Milwaukee, Wis. 53202; (414) 272-0943. **NE**

 To order reprints of this article, see Page 65.

Tips For Saving Energy

Here are suggestions from experts and utility companies to help you cut your firm's energy costs:

■ Replace standard lights with compact fluorescent, high-pressure sodium, or halogen lamps. A steel fabricator in Weirton, W.Va., replaced its standard lights with 175 high-pressure sodium lights for \$50,000 and so far has saved \$27,000 in lighting costs as a result.

■ Use light controls such as dimmers, timers, and occupancy sensors.

■ Put lights in the right places; it's called "task lighting." By lowering the height of its lights and placing them closer to work stations, one company increased its lighting efficiency by 30 to 40 percent while eliminating 60 fixtures.

■ Add insulation in ceilings, walls, doors, and roofs to keep heat inside in winter and outside in summer.

■ Replace single-pane windows with double- or triple-glazed windows or low-emissivity windows. These windows keep the heat inside during the winter and block solar radiation during the summer.

■ Put weatherstripping or caulk around doors and windows.

■ Set heat thermostats as low—and air-conditioning thermostats as high—as can be tolerated.

■ Conduct periodic maintenance inspections of energy-using equipment to maintain efficiency.

The Edison Electric Institute, in Washington, estimates that implementing most of these energy-efficiency measures costs \$10,000 to \$30,000 per 100,000 square feet of commercial space. The pay-back period—the time it takes to recoup the cost of an efficiency action through energy-cost savings—for most of the measures listed above is one to three years, according to the American Council for an Energy-Efficient Economy, in Washington.

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PUBLIC POLICY

States Act To Reform Welfare

By John S. DeMott

In New Jersey, a Democratic legislator representing one of the poorest communities in the state won passage of a welfare-reform plan setting goals of "family unity, education, responsibility, and opportunity" for those receiving public assistance.

"Until the needs and the problems of the family are confronted in a comprehensive way, welfare will continue its course of entrapping one generation after the next in a modern form of slavery," Assemblyman Wayne R. Bryant said in introducing his plan.

A unique feature of the bill, which goes into effect Oct. 1 in the state's three largest counties in its first phase, will deny additional benefits to welfare mothers who bear any more children, but it will permit them to earn extra money without losing existing benefits.

Under that approach, welfare mothers will retain the right to have another child but "must find the money to support that child," Bryant says. "If recipients one day want to assimilate into the mainstream, then they must live by the same rules that affect everyone else."

Welfare reform in New Jersey is to be statewide in two years. It is part of a national trend that has begun to bring official attitudes and performance closer to long-held public perceptions that the system has been failing both financially and socially—using vast amounts of taxpayer funds while increasing welfare recipients' dependency.

Altogether, about 30 other states are looking at various reforms to cut welfare costs and to reduce caseloads that multiplied during the recession.

In California, whose 2.4 million welfare families represent 17 percent of the national total, voters in November are expected to approve a referendum cutting benefits 25 percent over six months.

Wisconsin is moving ahead on a demonstration plan under which family benefits would be designed to encourage teenage

mothers to get married; the plan also would discourage additional childbearing and would aim at ending the welfare system's perceived discrimination against intact families.

Oregon voters decisively approved an initiative—called Measure 7—under which Aid to Families with Dependent Children (AFDC) and food stamp money would be pooled and used to fund jobs at \$4.28 an hour, 90 percent of Oregon's minimum wage of \$4.75 an hour. Welfare recipients in six test counties would be required to take these jobs and forgo AFDC and food stamps, though they still could get Medicaid and child-care assistance. The job-funding pool would also receive funds that otherwise would support the unemployment-compensation system; the unemployed in turn would not receive benefits but instead, like the welfare recipients, would be required to take the funded jobs. Because of these

Welfare-reform efforts reflect a growing belief that the system is failing recipients as well as taxpayers.

and other provisions, the Oregon plan has been snarled in controversy, and it has not yet been implemented.

In Maryland, however, implementation is not an issue for the new welfare rules taking effect. The rules require pregnant women on welfare to receive prenatal care, and mothers must see to it that their children receive regular health examinations. Failure to obtain the medical care can mean benefit cuts of \$63 a month for the first child and \$18 for the second.

Although welfare originally was envisioned as short-term assistance to help families through crises, it has produced results never anticipated by its architects—welfare as a way of life for families from generation to generation.

The number of families receiving assistance under AFDC—the largest welfare program—went up 25 percent, to a total of 4.7 million, from July 1989 to December 1991. AFDC primarily serves single mothers with children at home. States determine eligibility and benefit levels.

The most significant aspect of the reappraisal now under way is the emergence of a welfare policy described as "new paternalism." Using the stick of reduced or eliminated benefits, states are seeking ways to bring behavior of welfare recipients more into line with what welfare professionals call "majoritarian" values. The mission is to cope with factors—teenage pregnancy, broken homes, absent fathers, lack of education and training—that prevent welfare recipients from developing the skills and attitudes needed to obtain and hold jobs.

Lawrence Mead, associate professor of political science at New York University and author of the just-published book *The New Politics of Poverty*, says: "There's more insistence on controlling the lives of recipients than we've previously seen."

Though existing in bits and pieces in some places for years, the "new paternalism" received a major push in March when



Welfare recipients "must live by the same rules" that apply to others, says New Jersey Assemblyman Wayne R. Bryant.

John S. DeMott is a free-lance writer in Alexandria, Va.

Wisconsin's Department of Health and Social Services set up a five-year welfare demonstration project. It is called the Parental and Family Responsibility Initiative. Under the plan, which begins next year in up to six counties—including Milwaukee—the state would cut benefits by 50 percent for the second child borne by teenage mothers on welfare and eliminate it altogether for the third.

On the other hand, to encourage families to stick together, Wisconsin would lift the requirement that one member of a low-income married couple have a work history to get AFDC payments. In addition, Wisconsin would let recipients keep

So far, Wisconsin is the only reform-minded state that has received formal federal approval for most of its changes; federal waivers for Wisconsin's other changes are expected soon.

California Gov. Pete Wilson, whose staff has submitted waiver requests to federal agencies for that state's complex welfare-reform program, believes less welfare will strengthen families, a resolve hardened by the riots in Los Angeles this past spring. Mike Genest, California's deputy welfare director, says the state's reform plan "reduces dependency on welfare and regards it as a temporary means of support."

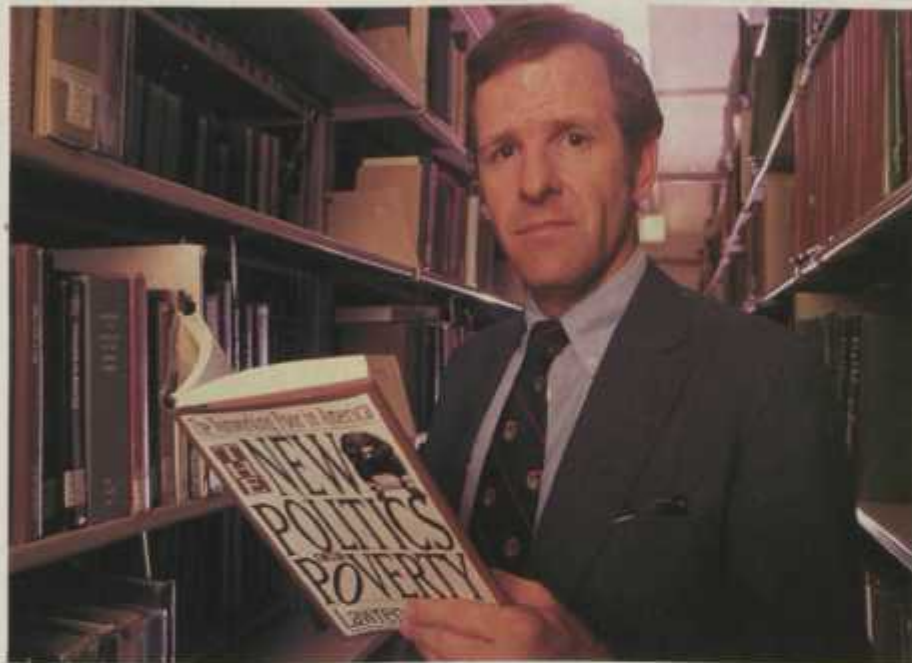


PHOTO: KARNOLD ADLER

Political scientist and author Lawrence Mead urges policy-makers to recognize that those on welfare have "enough skills to do lower-level jobs to avoid poverty."

more of their earnings from regular jobs. The hoped-for result would be fewer absent spouses; under the old system, spouses have feared that any income they might have would cause welfare checks to be halted.

The Wisconsin plan also would require teenagers receiving welfare to attend sex-education and parenting classes to encourage them to stay in school and delay pregnancy. And to make men accept responsibility for supporting their children, counties would get a \$300 bonus for each nonsupporting father who is located and is made to contribute to the costs of his children's upbringing.

In addition, Wisconsin would discourage people from moving into the state—where benefits rank second-highest in the Midwest—to collect larger benefits; newly arrived welfare recipients would receive benefits no greater than those paid in the state from which they had moved.

The tough new programs in several states pick up where the Family Support Act of 1988 leaves off. That law, the most recently enacted federal welfare legislation, was passed with heavy bipartisan support. Under the act's Job Opportunities and Basic Skills (JOBS) program, states must establish workforce programs to force employable welfare recipients to work or train for work; the aim is to move recipients off welfare rolls and onto payrolls.

Widely applauded as the most important welfare legislation since the Social Security Act of 1935, the 1988 law gave the states authority for the current experiments. But many welfare reformers contend the JOBS program is too lenient in defining "work" and "training." They say the program does little to reduce unemployment and in some instances is not much more than a way for benefit recipients to look busy between welfare checks.

The Manpower Demonstration Re-

search Corp., founded in 1974 by the Ford Foundation and a consortium of federal agencies to be an evaluator of welfare programs, conducted a survey in West Virginia in the mid-1980s and found that loopholes exempted 20,000 of 36,000 employable welfare recipients from working.

Nonetheless, there have been signs of improvement as a result of the JOBS program. The same research organization reported in April that California's JOBS program, called GAIN (for Greater Avenues for Independence), had helped increase incomes and reduce welfare payouts among 33,000 welfare recipients in four of six surveyed counties.

Many states are setting various requirements that welfare recipients must meet if they want to receive benefits, but some of the requirements are relatively mild, such as learning how to write a job resume or taking a night-school course to improve job skills. In some large states, critics point out, all welfare benefits together—AFDC, food stamps, housing subsidies, school lunches, and Medicaid—can push a family's tax-free income to a level that exceeds official poverty-level wages, and yet marginal jobs go begging. New York University's Mead says that policy-makers should recognize that even those on welfare have "enough skills to do lower-level jobs to avoid poverty and welfare."

This is the view endorsed by Oregon voters when they approved Measure 7—the reform plan whose implementation has been held up by controversy over some provisions. The measure's key feature—pooling AFDC and food stamp funds to pay wages in lieu of those benefits—along with other changes would save \$90 million over three years, the plan's boosters say. To them, public assistance is public assistance, whether it comes from a tax on employers or from a federal program in Washington.

Charles Hobbs, a consultant to the Oregon program who helped stir interest in waiver-driven welfare experiments while he was an aide in the Reagan White House, says, "People who draw unemployment figure they're better than people who draw welfare, even though what they're drawing is no more than another welfare program."

Hobbs and other supporters of the Oregon program say a welfare family of three, on average, would get about \$560 a month in AFDC and food stamps, but it would receive \$740 in wages by working at the \$4.28 rate. Organized labor and other opponents don't buy it; they argue that the program approved under the Measure 7 initiative amounts to "slavefare"—providing employers with labor that is, in effect, free.

Oregon's Gov. Barbara Roberts, a Democrat, is bitterly opposed to the

PUBLIC POLICY

reform plan, as is Steve Minnich, who runs Oregon's welfare program. He points out that, as passed, Measure 7 would deny food stamps to the blind, the elderly, and the disabled. (Legislative efforts to reverse such outcomes of Measure 7 have been initiated.) Minnich also argues that no matter what Measure 7 says, federal food stamp payments and unemployment insurance can't be waived without congressional action.

Critics of Roberts say she has been less-than-vigorous in seeking the necessary federal waivers. But Minnich says the holdup is in Washington, where three agencies have said they can't approve waivers for Measure 7 as it now stands.

The Oregon House passed enabling legislation this past spring for Measure 7, now called the Oregon Full Employment Program, but the Senate didn't act before the session ended. The Legislature meets again next spring.

Meanwhile, Roberts is being sued in Washington County Circuit Court by the Landmark Legal Foundation, a public-interest law firm in Kansas City, Mo., that supports conservative causes; the firm was hired by Measure 7's backers, and the suit is designed to compel the governor to take action to implement it.

In the suit, Roberts is said to be resisting the clear will of the people, who voted the reform in by initiative and made it law by a 58 percent majority. Jerald Hill, president of Landmark, says Roberts "is not making a serious effort."

Nearly all of Oregon's welfare reforms have the strong support of business. In fact, Oregon's work-or-else plan came from a prominent businessman, Dick Wendt, the 61-year-old owner of JELD-WEN, in Klamath Falls. The company manufactures doors and windows, has sales estimated at up to \$500 million a year, and is Oregon's seventh-largest privately held company. Wendt came up with the work-or-else idea 15 years ago and has nurtured it ever since.

Says Ted Abram, a retired judge who speaks for Wendt: "You have to give time and effort in return for public assistance if it's going to be meaningful. Only then can recipients make the decision how they're going to invest their time."

Karl Frederick of Associated Oregon Industries, which speaks for 15,000 employers, says his organization supports Measure 7. But consultant Hobbs worries that the biggest obstacle might be "finding enough employers who are willing to do this." The reason is that the law says such workers can be brought on only for expansion, not to fill vacant positions or to replace current workers.

Like Oregon, other states are attaching obligations to welfare payments. Alabama, for example, has linked a work requirement to its single all-cash payment plan for food stamps and AFDC. Moreo-

ver, state welfare officials say the single-payment plan has cut paperwork and thus gives them more time to devote to the program. Says project director Judy Bernier: "We want to be facilitators to help people. Now clients have one case-worker to deal with, instead of two or three. We get to know them better."

In Michigan, which cut some nonfederal welfare programs because of a shortage of funds, Gov. John Engler, a Republican, this past June proposed a number of welfare changes requiring 21 waivers from federal law. One waiver would make Michigan's 226,000 AFDC recipients sign a "social contract" agreeing to participate

John McClaughry, a Vermont state legislator and Republican candidate for governor who is writing a book about Oregon's welfare experiment, is dubious. He says American welfare administrators should focus more on treating recipients as part of a smaller community rather than as part of a vast federal system. Without community identity, says McClaughry, welfare clients are "fooling around in a soup of anomie not accountable to anybody."

McClaughry lauds Switzerland, where there is no national welfare structure as such; welfare is run at the level of the canton (similar to a county in the U.S.).



PHOTO: T. MICHAEL KEZIA

Former White House aide Charles Hobbs calls for elimination of recipients' dependence on welfare and welfare's dependence on the federal government.

in some form of "productive effort"—including volunteer community work—for at least 20 hours a week to keep collecting federal welfare benefits.

Other parts of Michigan's plan would focus on job training and even show welfare recipients how to go into business for themselves. Says Gerald Miller, Michigan's director of social services, who hopes to put the package in place by Oct. 1: "This is not a punitive approach. We're approaching this in a positive way to strengthen families."

Though their styles may differ, all the reforms have the philosophical underpinning of converting welfare from a crippling lifestyle to a transitory benefit that moves recipients toward taking care of themselves and their families. But will the reforms do that? Will they promote self-sufficiency and reduce the \$225 billion spent annually on all forms of public assistance in America?

Caseworkers determine recipients' benefit levels. And recipients are highly visible to the townspeople whose taxes are, in effect, supporting them. McClaughry says recipients who don't do their best to help themselves are held in low regard.

The purpose of the efforts to decentralize welfare and encourage states to set requirements for benefits, says consultant Hobbs, is to eliminate recipients' dependence on welfare as well as welfare's dependence on the federal government.

For his part, NYU's Mead supports the reforms being put forth in U.S. welfare, and he sees merit in making people work for welfare. Although efforts aimed at altering behavior are not "likely to cause much change," he says, "I still think they're worth trying."

To express your views on welfare reform to Washington policy-makers, see *Where I Stand*, on Page 64.

REGULATION

Zoning Laws Vs. Home Businesses

By Julie Fanselow

Wesley Morrison didn't expect any problem getting a zoning variance to operate his desktop-publishing business, Delancey Press, from his apartment in a Philadelphia neighborhood.

But he was wrong.

Morrison spent an entire afternoon trying to explain computer-driven desktop publishing to a succession of city employees. They feared his business would require loud printing presses whirling at all hours and forklifts pulling up to his apartment-house door.

Morrison became embroiled in the zoning dispute only after his application for a business license and tax account number tipped off the city about the proposed location of his enterprise.

Eventually, Morrison prevailed and got the variance he needed, but his unexpected obstacles were not untypical.

For most home-based start-ups, zoning rarely ranks high on the list of concerns. Matters like finding adequate capital and

landing clients seem more immediate and important.

But home-based businesses that ignore zoning codes can run afoul of the law and risk legal hassles and financial ruin. Zoning is a matter that home-based businesses cannot afford to overlook.

Statistics show that ever-growing numbers of people like the idea of working from home. A 1992 survey by Link Resources, a New York City research and consulting firm, found that 12.1 million Americans now run businesses from their homes full time, up from 11.8 million in 1991 and 9.5 million in 1988. An additional 11.7 million people operate part-time businesses from home, up from 10.5 million in 1991 and 7.6 million in 1988.

But Paul and Sarah Edwards, a Santa Monica, Calif., couple who have built a career around tracing the home-office phenomenon, say few local governments have recognized this shift. The Edwardses host a weekly radio program on the Business Radio Network, and they man-

Home-based businesses that ignore zoning codes risk legal hassles and financial ruin.

age the home-based business forum on the CompuServe on-line computer data base. They maintain that local officials must re-examine attitudes toward home-based businesses.

Few of the communities that have looked at the issue actually encourage home-based businesses; many others actively discourage or prohibit in-home enterprises.

Los Angeles, for example, prohibits home-based businesses in residential neighborhoods; the prohibition extends even to those such as free-lance writers, artists, dentists, and others who often work from home. But the city allows employees to work at home and communicate with the office via computer or other electronic means—so-called telecommuting. Despite the ban on businesses at home, regional air-quality authorities are promoting both home-based businesses and telecommuting as ways to reduce smog and traffic congestion in Southern California.

According to the Edwardses, most bans on home-based business were put in place decades ago to shelter neighborhoods from the smoke, dirt, and noise generated by factories. Such rules, they say do not recognize the reality of today's high-tech, service-oriented, small-business economy.

In Los Angeles, officials are trying to decide whether prohibiting home-based businesses remains the right thing to do, especially because so many people disregard the ban. Paul Edwards estimates that 2.2 million households in Southern California harbor either a full-time or part-time home-based business or a salaried employee who works at home during normal business hours.

"Lots of [home-based businesses] are out there, but they're not creating a problem," says Darryl Fisher, associate zoning administrator in Los Angeles. "If they do create problems, people complain, and they're put out of business."

"We want to be innovative and have ordinances that deal with the times," Fisher adds. But officials fear that by legalizing home-based businesses, the city may invite unwelcome problems. "With home-based businesses, you can say you'll bring in only one or two

The desktop-publishing business that Wesley Morrison runs from his apartment in Philadelphia led to a dispute with city officials when he applied for a business license.

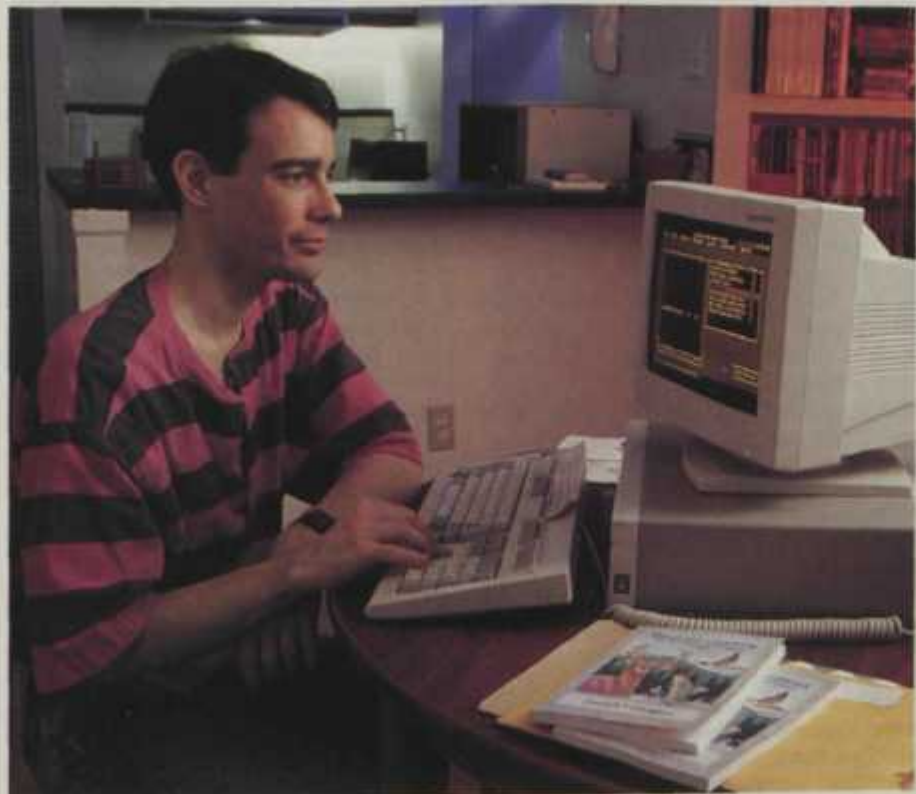


PHOTO: GERALD MARCUS, JR.—BLACK STAR

Julie Fanselow is a free-lance writer in Twin Falls, Idaho.

REGULATION

employees and have only eight or 10 clients coming over. But you can imagine the impact if 10 percent of the homes in a residential area were doing that," Fisher says.

The best time to check into zoning regulations is before you start your business. Visit your city hall or courthouse and ask to see the local zoning ordinances. If you don't know how your property is zoned, check the official zoning maps.

Property is typically zoned one of four ways: residential, commercial, industrial, or agricultural. If you live in an agricultural area, there probably are no limits on business use of your property. And if you live in a commercial zone, you're also lucky, since most zoning codes allow both business and residential use of commercial-district properties.

But if you live in a residential area, you must investigate further to find out what kinds of businesses are allowed and whether any restrictions apply to such things as client parking, in-home employees, storage, or outdoor signs.

If your area allows home-based businesses with certain restrictions, you can probably adapt to comply. For example, arrange to go to your clients if on-street parking is prohibited where you live. Sell your product by mail if on-site retail sales are forbidden. Or hire employees who can work out of their own homes if local rules bar you from allowing outside employees to work in your residence.

If your community bans home-based business, however, you have three options: Go into business anyway and hope no one complains, move to an area that welcomes home-based businesses, or request a variance or special-use permit.

An American Planning Association study in 1985, the most recent available, found that nine out of 10 communities restrict home-based businesses in some way. Thus, it's a safe bet many home-based business owners are breaking the law. "Often people are in violation and no one knows or cares," says Carolyn Kennedy, a research associate with the Chicago-based association. If you knowingly violate local zoning restrictions, of course, your firm may be penalized.

For some entrepreneurs, moving is the best option. Hal and Jack Schuster ran Pioneer Books, the entertainment-book publisher, out of three successive homes in Los Angeles from 1985 to 1988 before city zoning officials caught up with them. The Schusters were thinking of leaving Los Angeles because of its high cost of living when the prospect of battling the city over zoning regulations finally sent them packing. Pioneer Books moved to the Las Vegas area and is going strong—\$3 million to \$5 million a year in gross receipts—from Hal's home.

If you don't want to move and you want to operate legally, try lobbying for a broader home-based business ordinance or at least a variance to allow your proposed use. "Ask your local officials to re-examine the laws and make some changes," says Kennedy.

Demonstrating neighborhood support for your proposal will improve your chances of winning a change in the rules. Also, point out exceptions that already have been made for other home-based enterprises. Finally, try to convince officials that for some reason—a handicap,

service at Oklahoma State University, helped start the Oklahoma Home-Based Business Association, a private, nonprofit organization with about 400 members.

In Frederick, Okla., officials surveying empty storefronts accused home-based businesses of fueling the exodus and suggested a ban on cottage industries. But Burns' office and a local Service Corps of Retired Executives (SCORE) counselor teamed to convince city officials that home-based businesses could ultimately help, not hurt, the local economy. "Our argument was, 'Start the businesses



PHOTO: BETTE JENNINGS-PICTURE GROUP

The dessert-catering company that Suzan Schatz operates from her kitchen in Tulsa is a beneficiary of Oklahoma's friendly climate for home-based businesses.

perhaps—prohibiting the business would effectively deprive you of your livelihood.

Not all home-based businesses will run into zoning problems, and not all communities are throwing up roadblocks in the face of the work-at-home trend. Spurred by the energy crises of the 1970s, leaders in Davis, Calif., enacted a home-occupation ordinance that allowed greater latitude for people working out of their homes.

"When the idea came up, everybody thought it made logical sense," says Anne Brunette, who now serves as the city's interim planner. The ordinance cut gasoline consumption and traffic, and it helped accommodate the city's handicapped residents, many of whom prefer to work from their homes.

Oklahoma also has taken steps to welcome home-based enterprise. In 1990, Marilyn Burns, the home-based-business specialist for the cooperative extension

out in the homes, and maybe they'll grow and fill your empty storefronts," Burns says.

One business benefiting from Oklahoma's friendly climate is Soigné Sweets, a dessert-catering company run by Suzan Schatz from her Tulsa home. Schatz's own savvy about zoning issues helped to ensure her success.

Before starting work on the special commercial kitchen required for her business, Schatz checked local zoning codes and found she would have to obtain a variance to allow the business in her residential neighborhood. She went door to door, told her neighbors about her plans, and asked for their support. She even obtained 50 signatures of neighbors who approved of the business, and her variance request was granted swiftly.

Schatz has this advice for others who would like to own home-based businesses: "Don't give up. I would say stick to it when they tell you it can't be done." ■

Making The Best Of Presentations

By Ripley Hotch

Presentations are a fact of business life. Many are straightforward documents that have to speak for themselves. On occasion, however, you have to speak about a project, make a sales pitch, try to obtain money from your banker, or speak to a professional gathering.

In all these circumstances, you have to look professional. In "Big-Time Image Enhancement," in the July *Nation's Business*, we pointed out how you can dress up documents using desktop publishing packages. For live presentations, however, there's nothing that can beat desktop presentation packages. These are to presentations what desktop publishing is to documents.

Actually, they're a good deal more than that. The old process of making a slide—color or black and white—was expensive and very slow. You had to create your slides using some kind of publishing system (possibly even paste-up), then get them transferred.

If you found an error at the last-minute, or if you had last-minute figures or news that needed inclusion, forget it. You just had to hope your audience would be understanding and forgiving.

With desktop presentation software, you get the flexibility to do last-minute changes and additions. And the cost is considerably less than the old way.

There are a number of first-rate presentation software packages on the market. All of these programs can make even the simplest presentation of ideas and data look professional. First, we'll describe here several of the interesting programs, and then we'll look at the most exciting new kind of presentation software: multimedia.

Personal Computers

For presentations in the PC world, programs that use Windows 3.1 are far ahead of the pack in ease of use and in letting you see the results you want. This is the

Nancy Swanson, who often creates presentations as research manager for Nation's Business, contributed to this article.

kind of work where a graphics screen (as opposed to the character-based one in DOS) really proves its worth.

Three programs—**Harvard Graphics for Windows**, **Lotus Freelance**, and **Microsoft PowerPoint**—demonstrate the flexibility and power of presentation software.

Many software packages on the market can make even the simplest presentation of ideas and data look professional.

possibly by someone else, and imported, or transferred, into the programs. You can create graphs of all types in these packages, for example, but don't expect the program to be as flexible in creating them as a spreadsheet program would be. If your presentations require elaborate charts that you will be changing often, you can create them in Quattro Pro or Lotus 1-2-3 or Microsoft Excel and import them.

Within each of the templates are a number of different kinds of pages that you might include in a presentation. For example, there will be pages for one column of information, two columns, a graph page, or perhaps a page with clip art or another type of visual.

While all of this helps make a good presentation, sometimes it makes using the packages a little inflexible. Occasionally the programs are just too limited, and sometimes they are trying to keep you from doing something that will look bad.

Make sure you allow enough time to print your presentation, because these are graphic images that can take an hour or so to print (the more powerful your PC, of course, the quicker the output).

The wait is well worth it, though, because the quality of the output is pretty good.

Most small businesses do not have high-quality color laser printers, but there are reasonable and quick ways to add color to a presentation. You can take your black-and-white output to a local copying center, which should have color copiers that can add color wherever you want it.

All the packages allow you to convert a presentation directly to slides. PowerPoint comes with specific drivers for a Genigraphics system, and if you have a modem, you can send the files to the processor that way.

You can also transfer the files to a disk and take that to a slide service for direct conversion.

Publishers are working hard to include features in their programs. Harvard Graphics for Windows tries to introduce movement into its presentations through its ScreenShow.

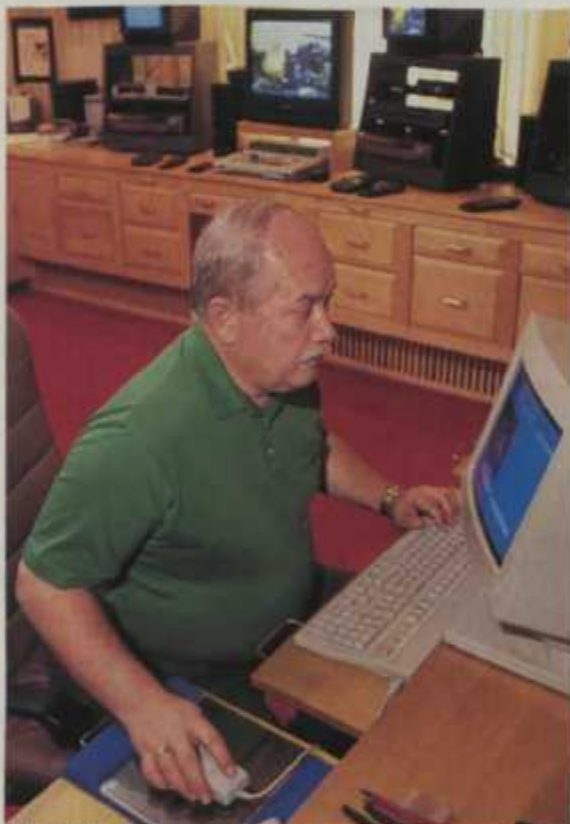


PHOTO: SALAN DORON

Technology director Dana R. (Rick) Richardson of Ernst & Young works on a multimedia presentation.

We used these programs on a 286 machine with a limited amount of memory and created the output on a laser printer. That they still worked—and worked fairly well—suggests that you can do more with Windows than you might have thought.

With all the programs, you get a variety of ready-to-use templates that let you concentrate on your message rather than on the design and positions. Each allows you to create and modify your own designs.

Just as with desktop-publishing programs, you work with elements that are generally created in a different program,

SMALL-BUSINESS COMPUTING

This is a partial step on the road to full-scale multimedia presentations (see below).

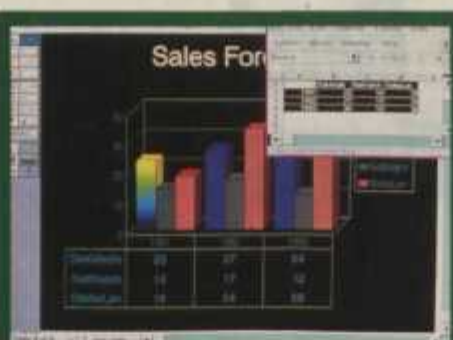
ScreenShow and its cousins in the other programs allow the presenter to make the presentation interactive. While the presentation is going on, if the audience asks a question, the presenter can open up other charts linked to the one on the screen.

To run it, however, you have to have a screen, or projection of a screen, with the computer running the program. This is not a straightforward run-through of a stack of slides. Fortunately, most facilities are now attempting to provide the equipment that can handle a computer-screen projection.

Most of these presentation programs run about \$600; for a lesser price and for somewhat less power, you might consider **CA Cricket Presents** from Computer Associates, which lists for \$199. This program has most of the features that you are likely to need, if not all the bells and whistles you might dream up on a slow day. Sometimes it focuses your attention better if you have fewer ways to present something; content might actually take center stage.

Multimedia Presentations

Multimedia has always seemed to us a buzzword, until we actually saw this



Harvard Graphics for Windows lets you create slides on a PC for first-class presentations.

amazing technology in operation. Not many years ago, a color slide presentation seemed like the ultimate in seductive sophistication; all you had to be careful of was talking so long on one slide that your audience went to sleep in the dark.

There's little chance of that with multimedia presentations. They add video, motion, and sound—and that makes a world of difference.

Furthermore, multimedia presentations are interactive with the speaker, who uses a mouse to point to elements within the presentation and to control the pace of the presentation.

As you talk, words can move, rotate, dissolve, and change color to emphasize your points. Graphs, cartoons, and photos can appear and disappear. Images can move.

All of this is controlled by a computer and mouse and can be put on a removable hard disk, tucked in your pocket, and carried to the place where you will make your presentation. All that these packages need to do now is to include a sorcerer's magic hat.

This is a far cry from watching the presenter fumble with overheads that he puts in upside down, or backwards, or drops in a heap, or watches helplessly slide from a too-small lectern onto the floor.

Dana R. (Rick) Richardson, national director for technology for Ernst & Young in New York, has created a multimedia presentation on the Macintosh that he gave recently at the microcomputer conference of the American Institute of Certified Public Accountants (a group that one might think would be immune to sexy computer antics), and he wowed the audience.

"Multimedia gains its advantage from the richness of the metaphor," Richardson says. "It addresses all of the senses at the same time. Music adds emotion."

Furthermore, all of us are able to take in a great deal more information at once than we realize.

Richardson likes to demonstrate the point by describing a scene in a movie, which almost no one recognizes. He then shows scenes from four movies in 12 seconds—and the audience invariably recognizes all four.

And then the audience recognizes the one he described in less than four seconds. (In case you get to see his presentation, we won't spoil it by telling you the movies.) Richardson did all of the work himself—pulling in video clips from the films off regular videotape.

Multimedia presentations are not easy, although the new programs make them seem so. All of these are for the Mac, Windows 3.1, or OS/2; you won't find a DOS one. MacroMind has a series for Macs and Windows.

The Windows product is **Action!**, which is priced at \$495. The Macintosh product is **Magic** and is \$395. For even more effects, there's **Director** for the Mac.

Remember, you need multimedia extensions and sound card for the Windows product (the Mac has them built in).

Of course, anyone using these products could still produce ugly and boring presentations, but that wouldn't be the fault of these amazing programs.

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BUSINESS DEVELOPMENT

A Boost For Start-Ups

By Bradford McKee

Small-business incubators in inner cities and small towns are dramatically improving the survival prospects of start-up companies in those distressed areas.

Derrick Johnson, for example, saw his sales nearly triple to \$72,000 in the first 12 months after moving his North Carolina bulk-mail firm, Coastal Mail Service, from his home into the West Charlotte Business Incubator in May 1991.

Johnson, who brought his firm from Smithville, N.C., says western Charlotte is much worse off economically than other parts of the city, but he says he is hopeful. The West Charlotte incubator's manager, Laura McClettie, "has done a good job of making companies aware that they need to reinvest in their community" rather than ignore it, says Johnson.

Johnson's rent in the urban incubator, at \$1.60 per square foot, is far below the local market rate of \$7 to \$15. Incubator managers, through their community con-

nections, helped him secure a \$30,000 equipment loan from a local bank. The bank required only interest payments for the first year and provided extended payback terms. "Without the incubator, [the loan] wouldn't have been possible," he says.

Likewise, in 1988, Tris Nelson and her husband, Greg, moved their business to an incubator in a dislocated rural area where few new firms otherwise would venture. The Nelsons saw their women's apparel business, GTN Inc., take over their home and cottage in comfortable Poughkeepsie, N.Y. Moving the firm to the apparel center of New York City would have devoured their earnings, they decided, so after looking for a suitable location, they relocated GTN to the Indiana County Small Business Incubator, in Indiana, Pa.

There they opened a small factory and hired 15 trained seamstresses from the area who had been unemployed for

months. Since the move, GTN has grown a sound 20 percent per year. "We never could have done this the way we have done it, or as successfully, without the incubator," Tris Nelson says. "And communities like Indiana desperately need new businesses coming in."

In distressed urban neighborhoods and along lonesome rural roads, starting a business can seem incredibly discouraging. Few firms start up in such places, entrepreneurs say, because they find it difficult to obtain working capital, secure good management advice, and expand their markets as they could in more prosperous localities.

But expectations are high in these areas for firms in small-business incubators. As many as 80 percent of firms in incubators survive their high-risk phase.

An incubator is a shelter for small businesses. As few as five or as many as 80 small firms share the lower-cost space of

In North Carolina's West Charlotte Business Incubator are, from left, Cheryl Grant of Complete Bookkeeping Services, Derrick Johnson of Coastal Mail Services, Jean Ezell of Data First Computer Services, and incubator manager Laura McClettie.



In poor urban neighborhoods and rural areas, incubators help disadvantaged firms survive and grow.

the incubator building, which may be a renovated former warehouse or factory. The tenant firms also share resources such as office machines, supplies, support staff—and inspiration. To a new or home-based firm that cannot yet afford its own building, an incubator address can lend legitimacy and help its image as a “real” business, right down to having a live voice answer the telephone: “Good morning, Jane’s Tool and Die.”

Incubators’ most important advantage, however, may be the entrepreneurial intensive care that tenant firms get from incubator managers and business-development experts, who guide tenant companies to maturity and help them finally move out, or “graduate.”

Most incubators are nonprofit organizations established jointly by public- and private-sector groups. However, some operate privately and for profit. Some incubators are located strategically near federal research laboratories or on campuses of colleges or universities. And still others, like those profiled here, are in economically remote areas.

Incubators affirm that “we’re still able to make progress with extremely minimal resources,” says June Lavelle, an incubator pioneer. Lavelle founded Chicago’s Fulton-Carroll Center, a 71-tenant incubator two blocks from the Henry Horner public-housing complex in western Chicago.

Fulton-Carroll has helped develop 177 businesses since it opened in 1980 and has helped create 1,500 jobs, with 80 percent of those positions going to local black or Hispanic residents.

When Lavelle opened Fulton-Carroll, only a dozen or so incubators had been started—the first was in 1959, in Batavia, N.Y.—and none had been started on the scale of hers. But in the past 12 years, more than 480 incubators have been opened in the United States and Canada. And dozens more are planned or in operation from Bulgaria to British Columbia.

“The reason our industry is growing is because incubators are adaptable—to rural areas and to inner cities,” says Dinah Adkins, executive director of the National Business Incubation Association (NBIA), based in Athens, Ohio. “That’s why people are interested in incubators in the Third World, the Middle East, and the former Soviet bloc.”



PHOTO: WSCOTT GOLDMITH

Relocating to an incubator in Indiana, Pa., improved prospects for the women's apparel firm owned by Greg and Tris Nelson.

Incubators have been extremely popular among high-technology firms. As they proliferate, however, incubators are focusing more on specific industries such as food processing, business sectors such as services and light manufacturing, and community-development causes such as aiding homeless people who would like to be entrepreneurs and helping people with disabilities start businesses.

Small-business incubators “can provide the anchor for job creation and the turnaround for redevelopment,” says Julius Morgan, entrepreneurial director of the 190,000-square-foot Milwaukee Enterprise Center (MEC), which has 77 tenant firms. MEC plans to open its second incubator, MEC-South; it will house up to 40 manufacturing companies and create up to 300 jobs in a largely Hispanic community.

The newly appointed director of the West Philadelphia Enterprise Center, Della Clark, says there is “no money” for start-ups in her community. She adds that most minority start-ups lack collateral for bank loans.

So Clark, a former business owner, is using her entrepreneurial knowledge to help steer her tenants “away from making

mistakes of naiveté.” As incubator manager, Clark can help her seven tenants and seven affiliates (firms outside the incubator but using its services) find capital.

In addition, the West Philadelphia incubator is operated by the small-business development center at the Wharton School of the University of Pennsylvania. The Wharton center provides consulting, business planning, accounting, and legal help to Clark’s tenants.

Housed in the West Philadelphia incubator, MEE (Motivational Educational Entertainment) Productions Inc., is stepping into uncharted territory. MEE is a market-research and film-production firm looking at various ways, including video productions, to steer black inner-city youth away from street crime.

This approach to community problems “is really a completely new concept,” says Tanya Omeze, MEE’s director of marketing, who joined the firm after she earned a master’s degree in business administration at Wharton.

MEE’s president, Ivan Juzang, obtained a research grant to help finance MEE’s projects, and the cushion of the incubator has proved invaluable, says Omeze. “Your saving on the rent alone is

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pretty significant, plus the emotional support. It's a very familial atmosphere."

Bill Bruce, vice president of Holder Images Inc., a fingernail-products firm, has had a similarly supportive experience in the Nashville Business Incubator, on the north side of that city. The manager, Jennie W. Lemons, "assists us in a number of ways," Bruce says, "providing fax service and copying service, and occasionally offering to do some letters."

By next spring, a new incubator should be up and running in Patricksburg, Ind., a town of 200 people about 50 miles southwest of Indianapolis. Unemployment in that region is "woefully underreported," says Barbara Aultman, head of economic development for Owen County, which includes Patricksburg. She says the incubator's purpose will be the improvement of local natural resources, such as hardwoods and wool, "which we [now] ship out and get low-bottom prices for."

For instance, wool from local sheep is not "graded" before it is taken out of the county, and it can be sold only at the lowest price. But when the Owen County incubator opens, local farmers not only will shear their own sheep, says Aultman, but also will wash the wool, "scrub it, curd it, spin it, and weave it into a finished product" commanding a high-grade price.

Incubators can provide the anchor for job creation and the turnaround for redevelopment.

—Julius Morgan

People now are being trained to grade wool, says Aultman. They are "people displaced from agricultural jobs who don't have a high-school education," she says. "We will be providing them with the training and a salary, and they will have a skilled manufacturing job."

In Atoka, Okla., Audex Inc., which makes listening-assistance devices for people with hearing impairments, found it "very difficult to get a qualified work force in such very rural parts," says Charles

Beatty, president of the firm. Audex, now in Coalgate, Okla., and Longview, Texas, started out in the Atoka incubator, which is run by Rural Enterprises Inc., of Durant, Okla. The Atoka incubator is near a vocational school, and its students—with training help from the University of Oklahoma—trained on machines and circuit boards like those used by

Audex. The vocational training was "tailored" to Audex's needs, Beatty says, and students who finished the course were hired by Audex.

Having access to such specialized training, says Beatty, "is one of the benefits of the incubator."

The principal benefit of incubators, says Dinah Adkins of the National Business Incubation Association, is that start-up entrepreneurs no longer have to be "isolated in storefronts and garages, with no access to synergies."

How To Get Into An Incubator

Incubators are interested almost solely in companies in their early stages. In fact, most incubator tenants move their firms into the facilities from their homes.

Entrance criteria differ among incubators. While some incubator managers want to see a firm's business plan before they consider the company as a prospective tenant, some don't even ask for it.

Laura McClettie, executive director of the West Charlotte Business Incubator, in West Charlotte, N.C., says her facility is primarily concerned about a business owner's level of commitment. She requires that a company operate out of an owner's home for at least a year before she'll consider it as a tenant. Her selection committee looks for the "seriousness of the person" applying for space.

McClettie and many other incubator managers typically want to know how

many jobs a prospective tenant thinks his or her company can create in three years. The sole purpose of many incubators is to create jobs and wealth for the community.

Managers also want to know how much time the business owner will spend at the company. They want to make certain that a tenant's absences are for good reasons, such as making money to support the start-up venture. About 30 percent of McClettie's tenants have full-time jobs outside their ventures. For example, Alfreda Floyd, owner of Rane Graphics Inc., is a flight attendant: "It pays the bills and keeps those benefits."

Mark Rice, director of the Rensselaer Polytechnic Institute's Incubator Center, in Troy, N.Y., looks for entrepreneurs with enough humility to ask for lots of help. "Success," Rice says, "depends on the ability of the entrepreneur to reach out."

For more information on incubators, write the National Business Incubation Association, One President St., Athens, Ohio 45701, or call (614) 593-4331.

Smart Ways To Manage Cash

By Roberta Maynard

Is your firm short of cash? The reasons may not be obvious, but the remedies are clear.

In boom years, the results of haphazard cash management are often masked by profits and go unnoticed. But in slow years, when margins are thin, managing cash poorly may spell failure for a firm.

"The biggest problem many business owners have now is that the '80s were very good," says Diane Weinhold, a partner in the Los Angeles accounting office of Singer, Lewak, Greenbaum & Goldstein. "Owners were able to let businesses run by themselves, and they became complacent."

As a result, Weinhold says, many managers and owners simply don't have a good grasp of where their businesses stand financially.

If you suddenly find that your business is short of cash, experts say, you should move quickly to find out why. The answer may not be as obvious as it first appears, however.

The first place to look for problems is your income statement. It reflects sales and costs, profit and loss. Unfortunately, many small businesses make the mistake of attempting to solve their cash-flow problems solely by boosting sales.

"Small businesses focus on building sales, which is perfectly appropriate. But it's not enough," says James Howard, chairman of the board of Asset Growth Partners, Inc., a New York City financial-consulting firm for small businesses.

And the income statement reveals only part of your financial picture, says Howard. "It doesn't tell you how much money is in the bank, the value of inventory, how much you have borrowed, how much you owe, or your net worth." That's the job of the balance sheet—a compilation of information that many small companies neglect to use properly.

Careful balance-sheet examination may reveal uncontrolled receivables and inventory—both of which are drains on cash flow.

Without adequate controls over receivables and inventory, "it is entirely possible for a business to make a profit and still go out of business," says Howard. "Just by managing receivables well in a small company, you can generate tremendous amounts of cash. In today's economy,

maximizing cash is the name of the game."

Insufficient attention to receivables almost sank one of Howard's clients, a 5-year-old service firm with \$20 million in annual billings. Unexpectedly, the company started to lose money and couldn't pay its bills.

The first thing Howard did was advise the firm to send its bills out faster, then follow up with phone calls when an account became overdue. He also advised the firm to establish and follow a strict collections policy, which included involving employees in collecting overdue payments.

At weekly staff meetings, every receivable was reviewed. Financial controls were improved, and management began getting the financial statement by the tenth of the month.

These changes quickly produced a cash infusion of \$1.5 million. Within six months, the company was back on track and was even able to reduce its bank credit line.

The kinds of cash-management problems the company faced are common among small businesses, Howard says, and the safeguards for preventing them can be adopted by virtually any firm.

To avoid future problems with receivables, Howard says, companies should establish a strict policy on how and when to extend credit.

In setting policy on credit for new accounts, require a completed application to determine credit worthiness, and set a strict credit limit. Check references carefully. For quick checking, keep at hand a list of each client company's employees who are authorized to charge for products or services, and keep the list up to date.

References and credit must be checked

thoroughly, and sound legal documents are important in case formal collection measures become necessary.

Another cash drain is excess inventory. Inventory can be managed more efficiently if it is tracked with computer software, says Howard. He recommends that inventory management be integrated with customer service and delivery programs.

"The cost of carrying inventory is expensive," Howard adds. "A typical manufacturing company pays 25 percent to 30 percent of the value of the inventory for the cost of the borrowed money, warehouse space, materials handling, staff,

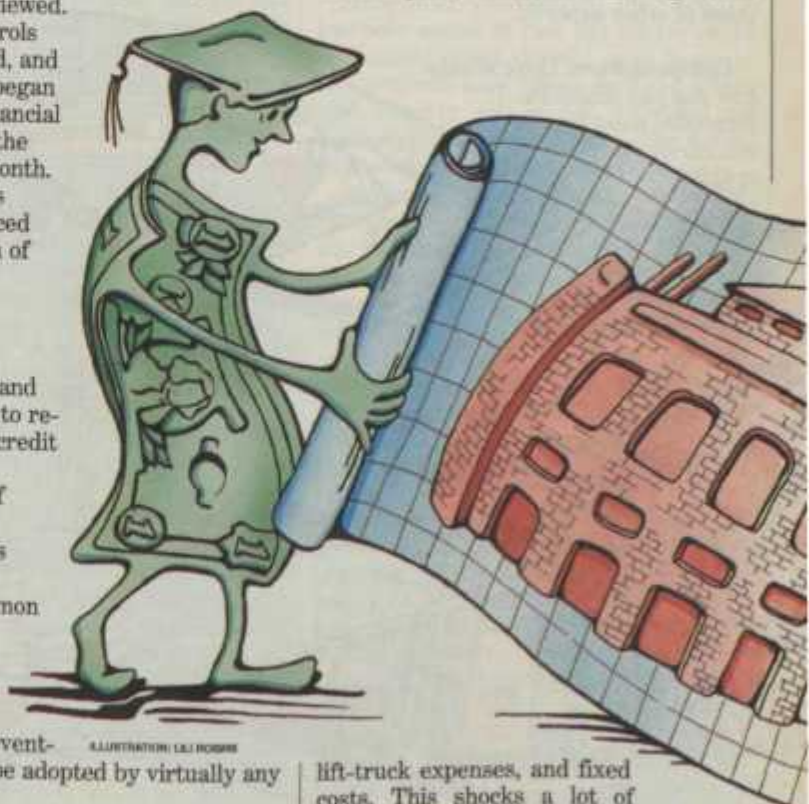


ILLUSTRATION: LEE ROSS

lift-truck expenses, and fixed costs. This shocks a lot of people. Once they realize it, they look at inventory differently. The reason many owners don't know about it is that this cost doesn't appear on any statement; it must be calculated."

There are a number of other ways to maximize cash flow. Many fall under the heading of improved expense control. Small-business managers should review expenses carefully and regularly. Consider whether each activity in which the company is involved is a

Roberta Maynard covers business management as associate editor of *Automotive Executive* magazine.

FINANCIAL MANAGEMENT

benefit to the business. If trimming is necessary, weigh long-term as well as short-term effects of the expense cuts you would consider.

"Most owners are experts at their own merchandise but not with everyday business supplies or their costs," says Rick Neiswonger, a partner at Expense Reduction Analysis, a St. Louis firm that recommends ways for businesses to cut costs in key areas.

For example, Neiswonger's firm tells clients that when they are arranging for services or supplies, they should get more than just a couple of bids. They also should conduct periodic price and service comparisons of current services, even those supplied by long-term vendors, he says.

Neiswonger's firm, which receives a percentage of the amount it saves its clients on their expenses, focuses on costs in areas such as office and cleaning supplies, equipment, coffee and soft drinks, printing, and business insurance.

Following are recommendations drawn from Neiswonger's observations and those of other experts.

Compensation. Look at salaries and pay schedules. If personnel must be cut, carefully evaluate

Purchasing. Don't authorize five or six employees to order merchandise or use overnight mail services, Neiswonger says. Instead, try to have one person in charge.

Supplies. Avoid lumping costs such as soft drinks into petty cash. Break these out separately and review them monthly, Neiswonger suggests. Take into account costs of delivery. It may be much less expensive to pay an hourly worker to pick up drinks or other supplies.

Make employees aware of the costs of office supplies. For example, mark the individual cost of each item, such as pens, on the box. Hold the firm's managers responsible and accountable for expenses in their departments.

Travel and Advertising. Scrutinize expenses such as travel, entertainment, and advertising. Make sure your ads are reaching your intended market, and monitor the results of current advertising.

Insurance. Ask the companies that provide your workers' compensation and

losses or mistakes, with the thought that the situation will soon be corrected. "Many business owners lie to themselves for so long," Weinhold says, "they don't know what those numbers really mean anymore."

Owners also mistakenly believe that the accounting firms that prepare statements will necessarily alert them to financial trouble. But the compilation of your financial records is solely for reporting purposes. Financial accounting yields only numbers, not analysis of financial problems. Unless the accounting firm is specifically retained to do so, it won't look for or point out problems.

Business Plan. To help you gauge progress and become alert to problems, develop a business plan for the coming 12 months.

"Begin with a sales projection—a realistic one based on the past 12 months," says Weinhold. "If '91 wasn't good, look back two or three years." Project expenses in the same way. With the help of a computer, put together a forecast for the year. Each month, review the monthly financial statement. Look for variances between the forecast and actual performance, and adjust accordingly.

Tracking. After developing a business plan, establish internal tracking controls. They will let you know quickly if you start to head in the wrong direction. Without them, it is impossible to know when and where to make adjustments.

These controls include a paper-trail mechanism: Make sure only a few people handle cash, and make them accountable; require invoices and purchase orders before issuing checks; and limit the number of those who can authorize expenditures.

Borrowing. Sound borrowing is also tied to cash management—cash budget forecasts, projection of borrowing requirements, and cash-flow schedules for repaying a loan. Be sure to take into account the cost of money as a cost of doing business.

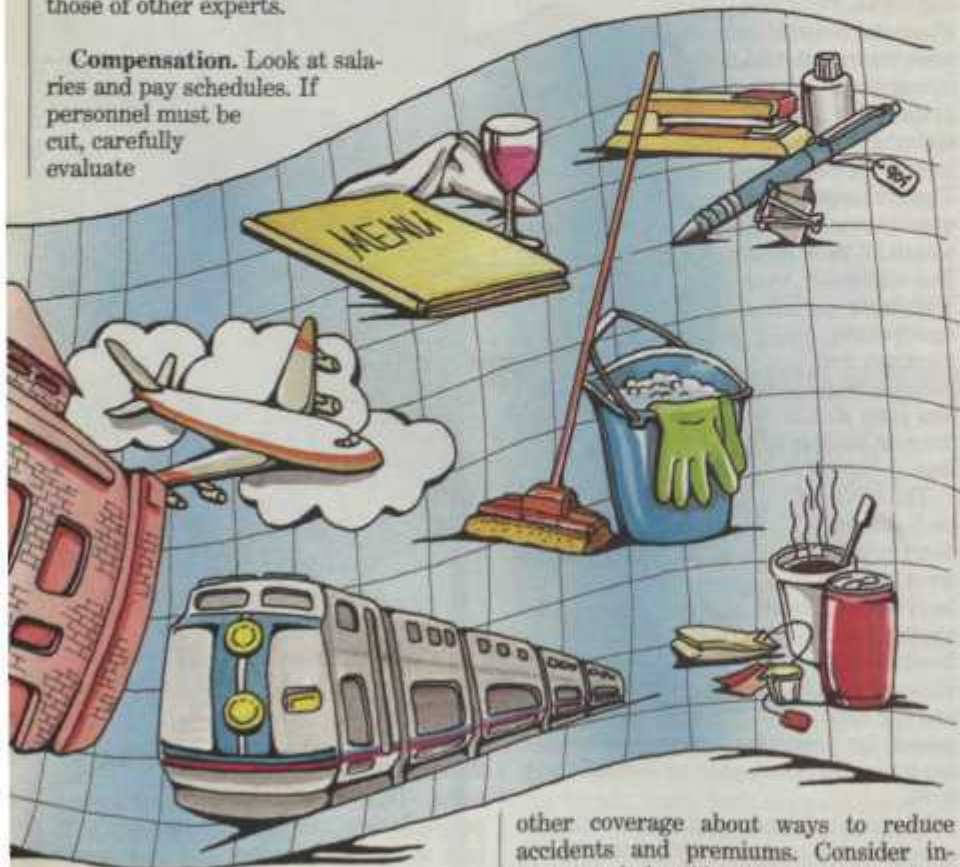
How much you borrow, the terms, interest rates, and nature of the loan all figure into your cash and profit situation.

With a clear understanding of your company's financial picture, with expense controls, and with a plan for the 12 months ahead, you will be able to catch problems before it's too late.

Maintaining control is a matter of scrutinizing every aspect of the business—and that means looking beyond the bottom line.



To order reprints of this article, see Page 65.



the company's volume of work and how it is accomplished. "Have everybody write out what they do daily, weekly, monthly, to locate duplication and gauge productivity," says Los Angeles accountant Weinhold.

In very small companies, this may include each employee. In larger companies, start by looking for duplicated efforts among managers.

other coverage about ways to reduce accidents and premiums. Consider increasing deductibles for employee health insurance.

Records. Above all, maintain good records. "Ninety percent of the businesses that go out of business don't know why they did," says Weinhold. "They didn't have adequate bookkeeping and didn't know where they were."

A serious problem, she says, is the fudging of records to compensate for

Family Business

Black-owned companies' contributions; family firms' values; a father's challenge of succession.

OBSERVATIONS

Black Businesses Create A Legacy

By Sharon Nelton

C. H. James & Co. may not be the largest company on *Black Enterprise* magazine's list of the top 100 black-owned industrial and service companies for 1992, but it is certainly the oldest. Founded 109 years ago, the \$18-million-a-year wholesale food distribution company is a fourth-generation family-owned business based in Charleston, W.Va.

Now it's run by 33-year-old C. H. (Chuck) James III, who became CEO at

talked about their family business; the elder Graves is CEO of both Earl G. Graves Ltd., his New York publishing company, and Pepsi-Cola of Washington, D.C. Both companies are on his own "BE 100" industrial/service list. His wife and two of his three sons are involved in his enterprises. (The third is a Wall Street attorney.)

While Butch Graves said that no upbringing could shield him from racism, growing up in a business family gave him opportunities he never would have had otherwise—to go to the best schools (Yale and Harvard) and "to be exposed to things. At a young age, we were exposed to politicians, business leaders, doctors, and lawyers. . . . We were exposed to successful people who happened to be black." He also says his father made him feel that "there was nothing that I could not do if I set my mind to doing it. Nothing at all."

In the 20 years that *Black Enterprise* has been tracking the nation's top 100 black businesses, their annual sales have grown from less than \$500 million to nearly \$8 billion. Like the Graves and James companies, many of these companies are family businesses—including 50-year-old Johnson Publishing Co. Inc., the Chicago-based publisher of *Ebony* and *Jet* magazines, and H.J. Russell & Co., a 40-year-old construction and development company in Atlanta.

It's true that even family businesses have come and gone from the BE lists, but like other family businesses, black-owned family firms demonstrate a penchant for stability and a commitment to the future. And they contribute to the economic well-being not only of this generation but also of generations to come.

We need to support and encourage the development and continuity of black-owned family businesses, particularly through family-business education and by purchasing from black-owned firms. The success of black family firms enhances the chances of everybody's success.

We need to support black-owned family firms.

—Sharon Nelton



PHOTO: AMANDA BALI/IMPACT

age 29, armed with an MBA from the Wharton School of the University of Pennsylvania and several years of experience inside and outside the family firm. James took over at such an early age because a series of heart attacks forced his father, C.H. James II, to slow down. The company has done nothing but grow under this young man's leadership—at about 38 percent a year.

In writing about this year's top-100 list and the magazine's list of 100 top auto dealers, *Black Enterprise* founder Earl G. Graves said that Chuck James "is representative of the next generation of [black] CEOs, equipped with both the entrepreneurial legacy of their forefathers and the connections, education, and management skill to fulfill their own vision of black business."

Those words echo statements that Graves and son Earl (Butch) Graves Jr. made in an interview with the *Family Business Review* two years ago. They

PLANNING

Is It "Worth It" To The Family?

By Craig E. Aronoff and John L. Ward

"Is our family business a contradiction in terms?" asked a thoughtful, caring person whom we know. "Families and businesses are so different. No wonder so many people think they are adversaries of each other. How does it make sense to risk one for the other?"

Sometimes, continuing the family's business seems to risk the happiness of the family itself. Family and business compete with each other—for time, attention, identity, and money. Families and businesses often value people for different, sometimes conflicting, reasons.

If the contradictions are accentuated, families and their businesses will eventually pull away from each other. Once the family's business is well-established and has provided for the family's security and status needs, business and family interests may diverge. When that happens, chances for continuity of the business as a family business may decline. Those who tend to think primarily of what's good for the family may believe "the sooner, the better!"

Must it be so? In other words, how can the family business serve the family so that the family's efforts and risks are worth it? We think every family in business needs to find motivating and comforting answers to this question.

Among the successful families in business that we know, the most common answer is that the survival of the firm provides a *legacy of values*—an opportunity to pass on to family members some of the values that their parents and grandparents believe to be important in life.

We rarely find family commitment to business sustained by economic benefits alone. While many people quickly pronounce that continuing the family business provides great opportunities to protect or increase wealth, such explanations underestimate the natural desires for independence and liquidity over maximizing illiquid wealth.

Ensuring a legacy of values seems to be more compelling. Values not only provide the basis for a good business but also

determine how to apply the wealth that is produced.

A legacy of values gives wealth—and life—meaning.

Every family we work with tells us stories of other family businesses that failed either as businesses or as families or both. Inevitably, the moral of these stories comes down to the inability to hand down a legacy of values.



ILLUSTRATION: DAVID CHEN

Here are some of the values we find families emphasizing as they work hard to assure family-business continuity:

The spirit of enterprise. All family businesses have an entrepreneurial heritage. All of them were founded by entrepreneurs—people who are creative, fill societal needs, make a difference, and become self-reliant. Many families believe continued family-business success provides a permanent example of that spirit.

Add value. To succeed, a business must add value to all that it does. A successful business wants all of its people to do the same. Adding value gives a person the satisfaction of contributing, of making things better.

Personal growth. Many families believe the family business is a wonderfully healthy laboratory for personal growth. Family ownership can emphasize that value and share the opportunity for personal growth with others.

Risk taking. Related to personal growth is taking risks. Businesses successful over generations must believe in risk taking. Many business families want to encourage that attitude in their young.

Trust. Another dimension of personal growth is trust. A business's culture can be built upon trust. Using the business as an example of the power of trust and of how to develop trust is precious to some business families that we know.

Mutual support. We have met many families that tell often the Old Testament parable of the "bundle of sticks." Their message, of course, is that a family that sticks together is of great strength. They offer their business success as evidence. These families also like to emphasize the importance of mutual family support to prepare for the inevitable adversities that all families face.

Stewardship. Successful families worry a lot about the effects of inherited wealth on future generations. With the family's business intact, the family can stress responsibility and concern for the interests of others as an important value.

There are, of course, other legitimate rationalizations for family-business continuity. For some, it's a precious opportunity to have shared family interests. For others, it's a chance to believe in something or to carry on tradition.

But the families that work hardest at preparing and planning for family-business continuity eventually seem to reach the conclusion that passing on a legacy of values is a special role for the family—and that the continued success of the family's business can be a living example of those values.

They also take the trouble to articulate their values in formal ways. Some use family meetings as educational forums or discussion sessions on the values that are important to them. Some create family creeds, mission statements, or mottoes that highlight one or more values.

We believe in the power and hope of identifying and emphasizing the values that both underlie the family's business success and are important to the family's members.

Almost inevitably there is a connection. Businesses that enjoy sustained success are built on a foundation of personal values that provide strategic competitive advantage as well.

The great advantage for a family in business together is the opportunity to remember those values and pass them on.



PHOTO: T. MICHAEL KEZIA

John L. Ward, left, is the Ralph Marotta Professor of Private Enterprise at Loyola University of Chicago. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State College in Marietta, Ga. Both are family-business consultants.

Mark Your Calendar

Sept. 10-12, Vail, Colo.

The Family-Owned Business Conference covers such issues as communications, managing succession, working with your bank, and women in the family business. It is sponsored by the Family-Owned Business Institute of the School of Accountancy at the University of Denver. Contact Glyn Hanbery at (303) 871-2038 or 1-800-995-5553.

Sept. 18, St. Charles, Ill.

"The Family in the Business" is the theme of a conference covering such topics as job performance, succession planning, advisory boards, and family communication. Contact Karen Wilger, Midwest Association of Family Business Owners, 7223 S. Route 83, Suite 241, Willowbrook, Ill. 60521-7561; (708) 323-2460.

Sept. 29, Minneapolis

"Managing Succession Without Conflict: Critical Issues Facing Families in Business" is a half-day seminar for all family members. To be repeated Oct. 28 in Philadelphia. Contact Ross Nager of the Arthur Andersen Center for Family Business at (713) 237-2770.

Sept. 30-Oct. 3, Boston

"Family Business at the Crossroads" is the theme of the annual conference of the Family Firm Institute. Open to family-business members and to professionals serving family firms. Topics include finance, corporate law, competitive strategy, and ethnicity in a family business. Contact Lenny Fogel, FFI, 12 Harris St., Brookline, Mass. 02146; (617) 738-1591.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20002-2000.

CASE STUDY

Three Tricky Challenges

Robert Withers started WiCon Construction 25 years ago. "It's not just a matter of money," he says. "It's my life."

Over the years, he has built WiCon into a successful corporation with \$2.5 million in annual sales.

Ten years ago, he brought Hank, his youngest son, into the company. While Hank, now 34, gladly joined his father in the business, Robert's two older sons chose other options—Robert Jr. is a high-school coach, and Don manages an office-supply store.

Robert, a 63-year-old widower, wants to look out for his family and plan for the succession of the business.

His older sons respect their father, but they don't feel Hank is capable of running WiCon without Robert.



ILLUSTRATION: DAVID CHEN

The company is by far the most valuable asset in their father's estate.

Robert wants to be fair in dividing his estate among his children. And although

he understands his older sons' concerns about Hank, he disagrees with them.

"Hank's smart. I'm confident that he can run this business," Robert says. "Besides, I want to reward his 10 years of loyalty."

Furthermore, Robert has worked very hard to build WiCon, and he doesn't want it sold—especially since he believes the loss of himself as the key manager would dramatically lower the value of the business.

However, he doesn't see how Hank can raise the money needed to buy out his brothers' inheritance and pay estate taxes should Robert die early.

Robert's death also might create a problem in obtaining surety bonds and continuing current lines of credit.

As Robert sees it, his challenges are to provide for his children equitably, ensure that the business survives, and allow Hank to run the business after his death.

How can he meet these goals?



Look At Several Strategies

John Aschenbrenner, vice president for individual markets, the Principal Financial Group, Des Moines, Iowa:

There are several ways that Robert can plan for the equitable distribution of his estate without liquidating the business.

For example, he could mortgage the business and use the cash to pay his older sons their shares of the estate. Because the family-owned business is a corporation, he could also will his children shares of the company, with Hank holding the only voting rights—which is appropriate and necessary because Hank is the only son active in the business and needs to be free to run it.

Or Robert could will WiCon's equipment to the two older sons, who then would lease it back to Hank for use in the business. The leasing fees would give them a steady stream of income.

Another solution, which would provide an immediate and equitable division, is a buy-sell agreement funded with life insurance.

If Robert chooses the latter solution, his first step will be to determine a fair market value for WiCon. His legal adviser or a business-appraisal firm can help him here. The buy-sell plan would allow Hank to purchase the business for a set price. To give Hank the funds he needs to buy the business outright, Hank could purchase a life insurance policy on his father, naming himself as beneficiary. The business could help Hank pay policy premiums in several ways, including providing him with executive bonuses to be used for paying the premiums or splitting the cost between Hank and WiCon.

Upon Robert's death, the proceeds from the policy would be used to buy the business shares from the estate and pay any estate taxes that might be due.

The estate would then distribute the cash to the heirs. With Hank as the sole owner of the business, his brothers need not worry about how his management ability would affect their legacy.



PHOTO: T. MICHAEL KEZIA

Include Retirement Needs, Too

Robert W. Soady, an organization-development consultant based in Chevy Chase, Md.:

The essence of Robert's problem is to achieve a successful management transition of WiCon from himself to Hank, meet his own financial needs in retirement, and minimize estate taxes. The financial value of the company as a going concern is probably much greater to the family than its sale or liquidation value. Robert's challenge is to ensure that the management transition does not result in lowering the value of the company or cause the bonding or bank-financing problems that he fears.

Given his age, Robert needs to take action immediately. Management succession at WiCon will most likely be a process taking three to five years, during which Hank can demonstrate his ability to run the company. This means developing a plan with measurable performance objectives that, if achieved, would satisfy the concerns of Hank's brothers as well as build the confidence of the bank and the bonding company.

The execution of the plan would be Hank's responsibility with support, coaching, and monitoring, probably from his father. If Robert has difficulty letting Hank implement the plan (including making mistakes), then the coaching and monitoring functions should be performed by other key managers. The results must be Hank's, not Robert's. Failure on Hank's part to achieve the performance objectives would trigger an alternate scenario—for example, the sale of WiCon to a third party.

Ownership transfer during Robert's lifetime should be examined to minimize a future estate-tax burden. A combination of gifting shares (nonvoting shares could go to the inactive children) and sale of some of the stock to Hank on an installment note is a probable method. A salary-continuation plan could be set up for Robert to provide more income for his retirement.

This is one of a series of case studies of family-business dilemmas, commented on by members of the Family Firm Institute and edited by Mike Cohn, president of The Cohn Financial Group, Inc., in Phoenix. The cases are real, but identities have been changed to protect the privacy of the individuals involved. The authors' opinions do not necessarily reflect the views of the institute. Copyright © by the Family Firm Institute, Brookline, Mass.

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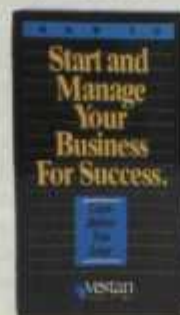
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LESSONS OF LEADERSHIP

How To Succeed By Really Trying

By Albert G. Holzinger

After the 1963 football season, Roger Staubach went to New York to receive the Heisman Trophy, presented annually to America's outstanding collegiate player. The night before the award ceremony, Staubach attended the Broadway play "How To Succeed in Business Without Really Trying."

The irony in Staubach's choice of entertainment is that he achieved success in those days—just as he succeeds today—by really trying very hard. His Dallas-based commercial real-estate firm, The Staubach Company, has built a reputation for intensive and innovative efforts to satisfy its customers.

Says Staubach of his company's commitment to total-quality management—TQM: "Some people perform better than others, and we have a system that recognizes that, but at the same time we have a system that emphasizes: 'Whatever it takes to satisfy the customer is why we are in business.'" The TQM program is structured, Staubach adds, to make every employee aware that it has been put in place "for the right reason—to make the company more responsive."

Given Staubach's background, this emphasis on quality isn't surprising. He acquired a thirst for excellence during his Midwestern upbringing; he refined his leadership skills at the U.S. Naval Academy and in four years of military service, which included a wartime stint in Vietnam.

Staubach parlayed those two traits into an outstanding career as a professional football quarterback, leading his team, the Dallas Cowboys, to four National Football Conference championships and two Super Bowl victories.

In fact, Staubach's will to succeed and his ability to lead his teammates to come-from-behind victories earned him legendary status among football fans. In the course of his 11-year pro career, Staubach rallied the Cowboys from behind to win a record 23 times. In 14 of those games, the Cowboys trailed as late as the final two minutes of the game.

Tom Landry, Staubach's coach in Dallas, wrote in his autobiography: "As long as any time remained on the clock, Roger believed he could win the game. And something about his competitive confidence made his teammates believe it, too."



PHOTO: T. MICHAEL KEZA

Roger Staubach: "Whatever it takes to satisfy the customer is why we are in business."

However, Landry added, "It wasn't just his great athletic ability or even his leadership that made Roger Staubach great. In all my years of coaching, I never knew a more dedicated athlete, never had a player who worked any harder."

Staubach worked hard at learning the real-estate business, too. In his first football off-season, the winter and spring of 1970, he worked for the Henry S. Miller Co., a large commercial real-estate firm in Dallas. "I had kind of an analytical background; I wanted to get some sales and marketing experience," Staubach recalls.

He worked at Miller in off-seasons through 1976. "I just moved to different parts of the company," acquiring knowl-

edge about a different facet of the industry at each stop, Staubach says.

In 1977, two years before the end of his football career, Staubach and another Miller employee, Robert Holloway Jr., went into the real-estate-development business.

The firm's first venture was a North Dallas complex of five low-rise, black-glass commercial buildings, one of which now serves as The Staubach Company's home office. Holloway handled construction aspects of the venture; Staubach, who by then had achieved superstar status in Dallas, concentrated on enlisting potential tenants.

In 1982, Staubach and Holloway split. Holloway stayed in the development business. Staubach moved into his current business niche: provider of real-estate consulting and transaction services, ranging from planning to acquisition to financing advice.

Staubach explains that he had decided to establish a service-oriented company for other businesses that needed to build, purchase, or lease office, industrial, or retail space.

Staubach believed that by representing only the users of space, his company could avoid conflicts of interest that can occur when a real-estate firm's clients include both landlords and tenants.

Staubach explains that his approach "makes us advocates for the user of space rather than merely tenant representatives." He continues: "I began telling people that we [at The Staubach Company] understood the development process, we understood the things tenants needed to have represented in the transaction, and we would like to represent them and only them."

Although his innovative concept aroused interest among businesses throughout the Dallas area, the early years were "tough" ones for Staubach's firm, recalls Ka Cotter, one of The Staubach Company's first employees and now an executive vice president.

"You'd go to a meeting [with prospective clients], and most of the time they wanted to talk about sports," Cotter explains. When they finally got around to business, "they would trust Roger because he had a reputation for integrity," she adds, "but he had to work hard to prove that he and the people around him

*Roger Staubach's game plan—
work hard and insist on excellence—
has made him a winner in business.*

had the expertise to really do a [business] transaction successfully."

Among the first to entrust Staubach's newly focused company with a major transaction was Robert H. Maier, then corporate vice president of Commercial Metals Co., a Dallas steel manufacturer and international trading company in need of additional space. Maier was pleased with the service The Staubach Company provided. He was so favorably impressed, in fact, that he joined Staubach's management team in March 1988. As president and chief operating officer, Maier oversees the firm's TQM program.

Staubach "began talking about TQM with his business contacts quite a number of years ago, and the concept appealed to him immediately," says Maier. But Staubach recognized that TQM would be difficult to implement under the compensation structure common in commercial real estate. Under that structure, like the more familiar one in residential real estate, leasing agents are paid a commission for each transaction successfully concluded. Thus, agents' interest in commissions can override the best interests of the company leasing the space.

"When I was a broker [for the Miller Co.], I was always fighting over commissions," notes Staubach. "When I started running a company, I was a referee [among my brokers]. So what I felt we had to do was implement a new system under which the client, not the commission, was the No. 1 concern and responsibility" of employees.

The system implemented by Staubach was unique to the industry, Maier says. Under the compensation plan, employees are paid an annual salary plus a bonus geared largely to client satisfaction as measured through use of a formal survey procedure.

By design, this pay plan encourages formation of staff teams to serve the varied needs of clients. Team members may be drawn from any of the company's 11 offices stretched across the U.S. from Washington, D.C., and Boca Raton, Fla., to Portland, Ore., and Irvine, Calif.

"We look at each market as a profit center that has to stand on its own financially," says Staubach, "yet they all have to stand ready to be part of a team for any client."

Teams frequently have members with experience in fields outside real-estate leasing, including accounting, law, finance, architecture, and construction.

With a business plan and structure in place, Staubach commissioned a needs survey of more than 200 "customers, architects, developers, and others related to this industry," he says. "In other words, we started listening to our customers, which is one of a company's first responsibilities in the total-quality process."

"An outside director spends his full time now conducting interviews," Maier says; typically they are one-on-one ses-

"Double 'EE' Standard of Excellence." He defines this standard as exceeding the expectations of clients by maintaining high levels of ethics and excellence.

The company enforces internal adherence to the standard by issuing customers a "guarantee of quality." The guarantee, says a company marketing brochure, lets the client reduce its agreed-upon fee to The Staubach Company if it determines "that the value added to the assignment [by Staubach's firm] is not commensurate with" expectations. In other words, as the brochure says, "the Staubach Company provides the service; the client measures the quality of that service."



PHOTO: J. MICHAEL KEZA

Senior managers of his Dallas-based real-estate firm—former customers Robert H. Maier, right, and Larry B. Kimbler, center—meet with Roger Staubach.

sions lasting an hour or more.

Staubach explains that these studies are conducted to help keep employees aware of the responsiveness goals of the TQM program. TQM, he says, can't simply be "verbalization or slogans; people have got to see that we are serious about it."

Staubach adds that top management's conduct has to set an example for others in the company. "I fly first class, but I buy my own upgrades, and I stay in the most reasonable hotels," he says. "You have to treat your people with integrity if you expect them to treat customers the same way."

The company's emphasis on TQM has given rise to what Staubach calls the

Issuing a guarantee like that can be risky business, but it has paid off for Staubach. Since 1983, his firm has completed assignments in 140 cities in 34 states, and its revenues have increased at an average annual rate of 41 percent. Only once has a client requested that a fee be reduced.

Still, the company's journey down the road to TQM is far from over, say members of its management team. Continuing to improve quality "is something you have to keep working on each and every day," stresses Maier. "You can never get enough quality."

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To order reprints of this article, see Page 65.

Women In Business

Balancing work and family life; the growth of women-owned firms; tactics for stimulating cash flow.

By Sharon Nelton

CORPORATE POLICY

Coping With Work And Family Issues

Deborah Norville, the glamorous former co-anchor of NBC's "Today" show, works at home. That's because her new employer makes it possible.

At a recent conference in New York on work-and-family issues and the work ethic, Norville said that after her son was born last year, she announced that she would not return to the "Today" show. A week or so later, ABC Radio asked her to host a nightly radio program. When she demurred, saying she wanted to stay home with her child, she was told she could do the show from home.

"I thought they were pulling my leg," said Norville. "But the next thing I knew, these men with wires and headsets and microphones were scurrying through my house putting wires in walls."

Norville has a studio in her study now and works at home most evenings from 7 to 10 hosting a talk show.

On the nights she works at ABC instead of at home, she said, she is "usually feeling guilty."

Norville and other speakers at the conference, sponsored by The Conference Board, a New York-based management education and research organization, addressed the difficulties of balancing work and family life and how employers can help.

Strategic-planning consultant Edith Weiner urged employers not to let family issues—such as a worker's desire for

flextime to meet family schedules—serve as a scapegoat for other problems in a company. There are "many more cases and issues that exceed work-family [problems] in terms of distraction," she said,



PHOTO: JILL CAMP. REPRINTED BY PERMISSION OF REDBOOK MAGAZINE. COPYRIGHT © 1992 BY THE HEARTY CORP. ALL RIGHTS RESERVED.

Deborah Norville, balancing her career and family life, hosts an evening radio talk show from home.

citing office politics and the waste of time that occurs when management assigns people to major projects and then changes its mind.

Calling attention to the great numbers

of women who have started their own businesses, Weiner, president of Weiner, Edrich, Brown, Inc., in New York City, said many of them had left corporations because they "don't have time for the nonsense. They don't have time for the politics." But they really produce in their own companies and care about what they are doing, she said. "And that effort, that production, is lost to the company that they left."

Instead of being concerned about the work ethic, with its emphasis on long hours, Weiner suggested redefining it as the "output ethic," measuring output, not work hours or traditional working times.

What is now evolving, said Dana E. Friedman, co-president of the New York-based Families and Work Institute, is a "self-fulfillment or self-development ethic."

According to Friedman, younger, well-educated workers are particularly concerned with personal growth and the quality of life. "This runs counter to the career ethic, which implies that the employees will strive for promotions and perform even when their work is not particularly interesting or satisfying," she said. "Careerists are willing to sacrifice family and personal interests to succeed, but not so those subscribing to the self-development ethic."

For information on The Conference Board and its publications and other resources related to work-and-family issues, contact the organization at 845 Third Ave., New York, N.Y. 10022-6601; (212) 759-0900.

One Woman's Solution

A number of times, business owner Maryles Casto has been faced with the loss of a valued employee when the employee's spouse was transferred to another part of the country or the employee had a baby but couldn't arrange for satisfactory day care. But Casto thinks good workers are too important to let go without first trying

to devise an alternative working arrangement.

Fortunately, her company, Casto Travel, Inc., a \$70-million-a-year corporate travel agency based in Sunnyvale, Calif., relies heavily on computers. She has put terminals in the homes of employees as far away as Boulder, Colo., and New York to keep good employees on the job. Most of them work on quality control, checking the accuracy of travel reservations that the company has made before tickets are issued. They work full time at

home and are paid like other full-time employees.

When a topnotch employee moves elsewhere, Casto begins to look at that worker's new location as a possible site for expansion. She reasons that she already has a key person in place.

"I'm not going to open anywhere else and then find the people," she says. "You first have to have your anchor, your foundation." And, Casto adds, she would prefer to have someone she already knows she can rely on.

RESEARCH

Women Entrepreneurs: "A Pretty Big Game"

The prominent economist whose research firm spent 18 months on a study recently released by the National Foundation for Women Business Owners (NFWBO) admits that he was surprised by the results.

The study showed not only that women own 5.4 million, or 28 percent, of the businesses in the U.S. but also that they employ 10 percent, or more than 11 million, of the country's workers. (See "Showing Their Staying Power," in the May 1992 issue of *Nation's Business*.)

"That's about 40 percent higher than the domestic Fortune 500 [employs]. That's a pretty big game," says David L. Birch, president of Cognetics, Inc., the Cambridge, Mass., company that conducted the study jointly with NFWBO. "In 1972, there were essentially no women-owned business in the United States," he says, "and now we have something which is on the order of the Fortune 500. That's a remarkable change in a very short period of time."

According to the study, the Fortune 500 companies had 12.3 million employees



PHOTO: JERRY FREEMAN

Economist David Birch found "remarkable" growth of women-owned firms.

worldwide in 1990 and are losing jobs at the rate of 200,000 to 300,000 a year. Largely because the biggest companies' employee ranks are shrinking, women-owned businesses in the U.S. are expected to exceed the number of workers employed worldwide by the Fortune 500 companies this year, the study said.

Birch says today's U.S. economy consists of a group of co-equal forces rather than a dominant force with everything

serving it. "The economy is a series of 'nodes' right now, and [women-owned business] is one of them."

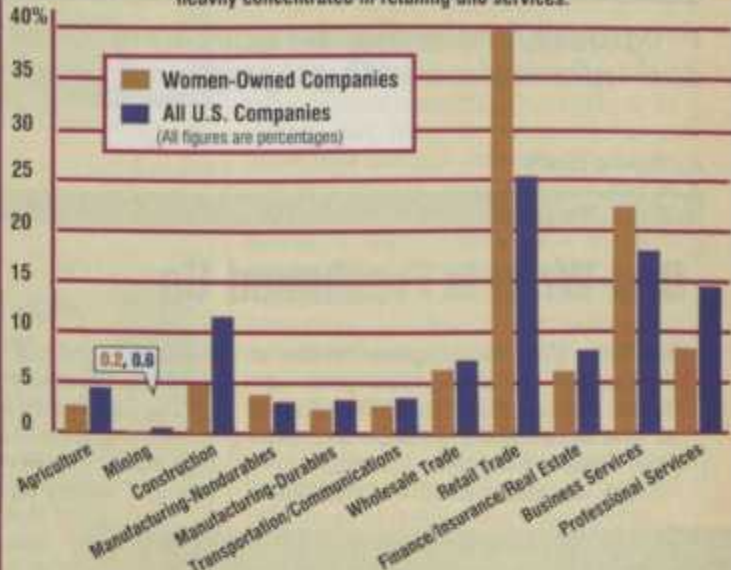
Another surprise in the study, Birch says, was the "normalcy" of women-owned businesses. In size distribution and distribution by industry, women-owned companies are very much like those owned by men. (See the chart above.)

However, the study shows that although women's firms grow more slowly than companies owned by men, the employment they provide is more stable.

The study is called *Women-Owned Businesses: The New Economic Force*. To obtain a copy, send a check for \$23.45 (\$19.95 plus \$3.50 postage and handling) with your name and address to the National Foundation for Women Business Owners, 1825 I Street, N.W., Suite 800, Washington, D.C. 20006.

Distribution Of Women-Owned Companies, By Industry

Companies owned by women—like U.S. companies overall—are most heavily concentrated in retailing and services.



Source: National Foundation For Women Business Owners, 1992

CHART: DEBORAH J. HUMPHRIES

CASH MANAGEMENT

Getting What They Owe You

If you are having trouble getting customers to pay up, consider adopting some of the practices employed by Francesca Kuglen, owner of Jontee Accessories, in Oakland, Calif. Her \$500,000-a-year firm manufactures hats as well as bridal and hair accessories, and she says it became "very assertive" about collecting accounts receivable three years ago after problems in getting payments began to grow.

If a customer's invoice is unpaid 10 days after its due date, Jontee telephones the customer to inquire if everything was all right, if the merchandise arrived, and if the invoice was received.

"Our office manager and bookkeeper were given the responsibility to do whatever it took to collect on late receivables, as long as they were at all times courteous and friendly," says Kuglen. Earlier this year, her company was designated as a 1992 state Blue Chip Enterprise in the annual program sponsored by Connecticut Mutual Life Insurance Co., the U.S.

Chamber of Commerce, and *Nation's Business*. The program honors small firms that have met managerial challenges in creative and innovative ways.

Under its collections effort, Jontee has been able to identify dishonest customers immediately and cut losses quickly.

It set up special plans for customers experiencing problems, taking their needs into account. "Stores in serious financial trouble were allowed to return the merchandise and pay only for items which had already sold," says Kuglen.

The company stimulated quick cash flow by simply calling some accounts, and the firm saved many other accounts through actions such as rotating stock and taking fast re-orders by phone.

"We had an upsurge in payments; but more important, we were able to detect problems early on," says Kuglen. She also found that the emphasis on friendliness sometimes prompted customers to pay her before they paid other suppliers.

The cost of an assertive collections program, says Kuglen, "is so minimal considering the return, the information you glean, and how your relationships with the customers grow."

DATES AND PLACES

Mark Your Calendar

✓Sept. 10-11, Orlando, Fla.: The National Association of Women in Construction holds its annual convention and trade show.

Contact the association at 327 S. Adams, Fort Worth, Texas 76104; 1-800-552-3506.

✓Sept. 25-26, Hartford, Conn.: The National Association for Professional Saleswomen holds its annual conference. The keynote speaker is Sally Helgeson, author of *The Female Advantage: Women's Ways of Leadership*.

Contact the organization at 5520 Cherokee Ave., Suite 200, Alexandria, Va. 22312; (703) 256-9226.

Small-Business Computing

Programs for the numbers, printers for sharp images, and information with geographical perspectives.

By Ripley Hotch

ACCOUNTING

One-Write Is Freshened Up

One-Write Plus, the computer version of the familiar pegboard, has been upgraded; Version 3.0 of One-Write Plus is the first since MECA Software took over Great American last year.

There are many small but significant

changes—*checkbook*, and the remaining 50 percent use a manual one-write system.

"The logical step is to go from a manual one-write system to the computer version. That's why One-Write has a special advantage," Schley says. He's quick to admit that QuickBooks has an advantage, too, "because if you didn't come from One-Write, you come from the checkbook."

To make the upgrade attractive, MECA has reduced the price of the program to \$129.95 from \$169.95. (MECA has also reduced the price of its flagship **Managing Your Money** to \$79.95 from \$219.95.)

Of course, Intuit and MECA watch each other closely, so expect another round of improvements from both.

QuickBooks: For Nonaccountants

So many people use QuickBooks from Intuit for small-business bookkeeping that the company decided to create a true double-entry accounting program of its own.

QuickBooks is immediately recognizable as a cousin of QuickBooks. It uses the same colors and the same on-screen checkbook.

For the first time, we have an accounting program that does not require you to be an accountant. QuickBooks does not give you a general ledger. All data are entered through subactions that you choose from a menu. You write invoices, pay bills, and so on, and the program keeps the ledger for you.

Setting up is easy; there are 21 sample charts of accounts (fortunately, Intuit has chosen to use the term "accounts" in this program, rather than Quicken's "categories"). QuickBooks lets you group accounts much as you would create an

outline. Reports are excellent, and they can be personalized. Finding your way through past transactions is easy.

Reflecting the company's understanding of how small businesses operate, QuickBooks does not require you to post transactions, and it keeps a year's worth of data open. It also compares year-to-year figures.

In short, QuickBooks is the first accounting program that makes accounting available for the average business owner. The list price is \$139.95.

PRINTERS

A Well-Built Trendsetter

The NEC Silentwriter Model 95 shows how far and fast laser-printing technology is advancing. The six-page-per-minute Model 95 contains the latest version of Postscript (called Level 2), along with HP LaserJet III emulation, an extra-fine toner for sharper, cleaner images, and interfaces that let it work with PCs or Macs. It can accept data from various combinations of PCs, and it automatically chooses ways to produce the impression of print quality greater than the printer's 300-dot-per-inch standard.

Still, with all of these features, the Model 95 retails for only \$1,749, and it will sell for considerably less at street prices, making it one of the least expensive products with PostScript Level 2.

You also get excellent paper handling, with a 250-sheet paper cassette that fits neatly within the printer's footprint (i.e., no protruding "wings") and an integrated automatic envelope feeder.

What's more, the Model 95 is fitted with the ability to send and receive plain-paper faxes. A \$599 option board will fit inside the printer and transform it into a PostScript fax machine. That means it will be able to send and receive not only standard fax transmissions but also faxes with high-level PostScript formatting intact, including fonts, attributes, and even color information.

This is a trend-setting, well-constructed product and a great value.

—Jon Pepper



PHOTO: SALAN DOROW

"The important thing," says Dan Schley, president of MECA Software, "is, does the program look and feel like something familiar?"

changes—from a new color set to the ability to see general ledger detail—and better data entry all around. MECA has taken great care not to disturb the basic pegboard metaphor.

"The important thing," says MECA's president, Dan Schley, "is, does the program look and feel like something familiar? Then intuitively you understand it."

Schley says his company's research shows that there are 8.2 million businesses with 20 employees or fewer—the target market for both One-Write and QuickBooks, which is published by Intuit. Of those, he says, about 25 percent are computerized, another 25 percent use a

INFORMATION

Ordering Up The New World Order

No one needs to be told how fast the world is changing; 18 new countries were created last year. Your printed atlas may not help you locate Kazakhstan, but **PC Globe 5.0** will. This new version of the leader in the field will give you extensive information about every country in the world, complete with maps and flags.

The program includes economics, politics, chief languages, religions, population demographics, travel and tourism information, even mean temperatures from month to month. It can give you time zones, currency conversions, exact distances between any two cities, and pictures of all the flags of the world.

This wealth of information comes in an affordable and colorful package that allows you to create file formats that can be read by other programs, or to print maps or information.

PC Globe and its companion program, **PC USA**, which gives the same information as the international program but for U.S. states and cities, are widely available, at list prices of \$69.95 and \$49.95, respectively.

And For A Really Big Map . . .

Geographical information systems are mapping for the upper end of the scale. GIS software doesn't produce mere maps. It dips into your database, or one that you buy, matches it up with various kinds of maps, and gives you a graphic look at your data.

Until now, a full-fledged GIS required a powerful computer and was far too complex for the normal desktop. Now, more-powerful personal computers and clever writing have created "desktop mapping" on the PC and Macintosh. **ARC/INFO**, from ESRI in Redlands, Calif., is a sophisticated system that will allow you (or some dedicated person in your office) to start using this sophisticated technique. With prices beginning at \$500 for the **ARC/INFO** starter kit, the program sets you on the road to creating tax and property maps for land-use planning, census data information maps, districting, vehicle routing, and on and on.

The software includes a communications program that allows you to tap into commercial databases, and a scanning program that lets you scan in maps that can be used for various kinds of data. For more information, call (714) 793-2853.

Another desktop mapping package is **MapInfo**, from MapInfo of Troy, N.Y. Windows and Macintosh versions start at \$995; prices are higher for other platforms. As with the ESRI programs, there are many add-ons and special maps that



Geographical information systems match databases with maps to show data graphically. ARC/INFO, at top, is a program for creating maps for purposes such as land-use planning. **MapInfo**, lower photo, is another mapping package.

can be purchased for additional cost. For more information on MapInfo, call 1-800-FASTMAP.

All The Government's Sources

Matthew Lesko has made a career out of telling people something that ought to be obvious but isn't: Governments at all levels have fantastic amounts of information and experts, most available free of charge. Lesko's big reference, **Info-Power**, is now available in a software version from Information USA.

The software is relatively simple to use (though not, as the publisher claims, "the easiest software in the world"), and it is not encumbered by heavy manuals. It does hypertext searching—that is, it brings up all references to a word or combination of words. You can then highlight any word in the text, and all references to it will come to the screen.

The number of references and phone numbers is phenomenal, and Lesko's text is direct and useful. If you don't want to use up a lot of hard-disk space, you can also get the database on CD-ROM (the kind of compact disk that a computer can read). The price is \$89.95 for the book and software; CD-ROM is \$149.95. For more information, call (301) 942-6303.

There's More to Phil Crosby Than Quality.

Philip B. Crosby is known as the leader of the Quality Revolution and the creator of the Zero Defects concept. He worked his way up from the assembly line to corporate vice president of quality for ITT Corporation and then founded Philip Crosby Associates, Inc., and built it into the largest quality management consulting firm in the world.

Now he is making it possible for you to get an edge on the competition with his important new video series, "To Be An Executive, By Choice." Mr. Crosby's 40 years of hands-on experience make him uniquely qualified to be your personal mentor in management.

As he states, "As you become a better executive, you and your company - and this country - will prosper."

These 12 original sessions contain three-and-a-half hours of information that is different from what Mr. Crosby will present in the U.S. Chamber of Commerce satellite downlinks. Included in the package is a companion set of audio tapes for use while commuting or exercising. The special price for chamber members is only \$495.00.

To order your personal set of "To Be An Executive, By Choice" or to receive more information, call 1-800-223-EXEC (3932), Ext. 99.

CAREER IV

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MANAGING

Spreading The Word: Quality

By Michael Barrier

A few weeks ago, President Bush awarded the National Medal of Technology to Dr. J.M. Juran, the chairman emeritus of the Juran Institute, in a ceremony that held special significance for small-business people across the country. Soon they will be able to see Juran in a series of televised satellite seminars on a subject important to their firms—quality management.

The president awards the prestigious Medal of Technology annually to individuals and companies that have made outstanding contributions to the economic health of the U.S. Some winners have developed or commercialized new technologies; others have contributed to the technical sophistication of the work force.

Juran received the medal in recognition of what the award's administrators called "his lifetime work of providing the key principles and methods by which enterprises manage the quality of their products and processes."

The award to Juran reflected a growing national awareness of the role that quality plays in determining America's stature in the global economy. Richard L. Leshner, president of the U.S. Chamber of Commerce, sums up quality's importance:

"It will avail us little to improve the efficiency of our work processes, and increase the productivity of our manufacturing plants, if at the same time we do not aspire to world leadership in quality of products and services."

Juran founded the Juran Institute, which is based in Wilton, Conn., as a vehicle for carrying forward his "key principles and methods." Starting in September, the institute will collaborate with the U.S. Chamber on the first five in a series of 10 satellite seminars on Total Quality Management, or TQM.

The series of 10 seminars will begin Sept. 17 and will run until Dec. 8. The Juran Institute's chairman, A. Blanton Godfrey, and other members of its staff will conduct the first five seminars, which will explain the principles of Total Quality Management in terms geared specifically to the needs of small business.

The opening seminar, on Sept. 17, will lead small-business people through the basics of the quality movement, explaining what quality means and why it is vital to business success in an increasingly demanding economic environment. The second seminar, a week later, will take the



PHOTO: STERRY ADKE

President Bush and Secretary of Commerce Barbara Franklin present the National Medal of Technology to Dr. J.M. Juran for his work in the quality movement.

process one step farther, by answering such basic questions as how a small firm can get started on a TQM program.

Through subsequent Juran seminars, small-business people will learn that many TQM principles that might seem to apply most readily to larger firms—for example, the formation of employee teams—can in fact be adopted successfully by small companies.

Three of the remaining five seminars will be conducted by Philip B. Crosby, whose 1979 book *Quality Is Free* helped trigger interest in quality issues; Crosby founded a well-known quality-management firm that he now serves as a consultant. The other two seminars will be hosted by Peter R. Scholtes of Joiner Associates, a Madison, Wis., consulting firm.

The fall seminars grew out of a series of five test seminars, cosponsored by the Chamber and George Washington University last spring. Those seminars, in which Juran, Crosby, Scholtes, and other quality experts took part, were offered to businesses across the country through about 85 local and state chambers, at a total of 250 sites.

The U.S. Chamber estimates that about

A new series of satellite seminars will bring expertise on Total Quality Management to small businesses across the U.S.

25,000 people—representing not just business but also the academic world and government—attended the seminars.

"It is clear that Americans in all walks of life recognize the need for greater focus on quality and are eager to learn how to achieve it," says the Chamber's Leshner.

Encouraged by the strong show of interest in TQM, the U.S. Chamber in May formed a Quality Learning Services Division to design and market an ongoing series of satellite seminars. The Chamber will use its state-of-the-art BizNet broadcast facilities to give the seminars a strong visual appeal. Additional Chamber-produced programs that originate from the studios are "It's Your Business," a syndicated weekly public-affairs debate program, and "First Business," a half-hour morning news show on the USA cable network focusing on small business.

The broadcast dates for the 10 seminars are Sept. 17, Sept. 23, Sept. 30, Oct. 8, Oct. 15, Oct. 21, Nov. 4, Nov. 18, Dec. 2, and Dec. 8. For more information, call Alan A. Wheeler, vice president/quality learning services for the U.S. Chamber, at (202) 463-5570.

POLL RESULTS

Readers' Views On Health Care, Budget

Respondents to our Where I Stand polls want health-insurance reform and a balanced-budget amendment that restricts tax increases.

Small-business owners strongly favor changes in the private health insurance market to make it easier to purchase coverage, but they don't want to see their costs going up as a result.

Readers of *Nation's Business* expressed their views on small-group health reform in response to questions posed in *Where I Stand*, a monthly feature that seeks readers' opinions on major public-policy issues.

Ninety-one percent of the respondents represent companies with fewer than 100

workers. Results of the poll are sent to top administration and congressional leaders.

Nearly two-thirds of those who responded to the April poll said the states should eliminate requirements that health insurance policies include certain specific benefits. These mandated benefits range from maternity and infant care to in-vitro fertilization and hair transplants. Opponents of mandates say they drive up costs and add coverage that employees may not want or need.

Readers also strongly favored requiring insurers to offer health coverage to

small companies regardless of the health status of employees.

However, most respondents oppose paying the higher premiums that would result from guaranteeing access to health insurance.

Democratic leaders in Congress have launched a drive to bring major health-reform legislation to a vote before lawmakers adjourn in late summer to campaign for re-election. Rep. Fortney Pete Stark, D-Calif., is pushing a bill that would impose tough government cost controls on health-care expenditures and would require insurance market reforms to make it easier for small businesses to purchase health plans.

SMALL-GROUP HEALTH REFORMS

Should states eliminate health-benefit mandates?

Yes: **65%** No: **22%** Undecided: **13%**

Most states with mandate-free health plans require small employers to go one year without insurance to qualify. Should a waiting period be eliminated?

Yes: **62%** No: **21%** Undecided: **17%**

If a basic health plan cut premium costs by one-third, would that enable your company to provide health insurance?

Yes: **42%** No: **19%** Not applicable: **39%**

Should health insurers be required to offer coverage to any small company, regardless of employee health status?

Yes: **59%** No: **30%** Undecided: **11%**

Guaranteeing health-insurance access to small firms may boost costs. Would you be willing to pay 10 percent more in premium costs to guarantee access to small firms, including yours?

Yes: **25%** No: **61%** Undecided: **14%**

The states now regulate health insurance, but Congress may soon intervene. Which should regulate health insurance?

The states: **73%** Congress: **27%**

BALANCED BUDGET

Should the U.S. Constitution be amended to require the president and Congress to balance the annual federal budget?

Yes: **96%** No: **3%** Undecided: **1%**

If you answered "yes" to the question above, do you think the budget should be balanced primarily by spending restraint, tax increases, or both?

Spending restraint: **80%** Tax increases: **1%** Both: **19%**

Should a balanced-budget amendment include a strong limit (such as a requirement for a 60 percent majority vote of both houses of Congress) on Congress' ability to raise taxes?

Yes: **91%** No: **6%** Undecided: **3%**

Would you favor a balanced-budget amendment that does not include a strong limit on Congress' ability to raise taxes?

Yes: **18%** No: **71%** Undecided: **11%**



PHOTO: STERRY ADIE—GAMMA LIAISON

Rep. Fortney Pete Stark, D-Calif., wants tough government cost controls on health-care expenditures.

Stark's bill does not require a play-or-pay mandate that would force small businesses to provide health insurance or pay a payroll tax to support a government health plan.

The *Where I Stand* poll in the May issue questioned readers on their views about a proposed balanced-budget amendment to the Constitution. The poll found nearly universal support—96 percent—for such an amendment.

But the poll also showed strong support—91 percent of respondents—for strictly limiting Congress' ability to raise taxes to balance the budget. Eighty percent of the respondents favored achieving a balanced budget through spending restraint.

Only 18 percent of the respondents said they favored a balanced-budget amendment in the absence of tough restraints on taxation.

Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore

EXPORTING

Trade Assistance

Our company provides management services to small businesses, and we need help in finding sources of export financing and export trade leads for potential U.S. exporters.

S.R., New York

A lot of information on federal export-assistance programs and services can be obtained through the government's Trade Information Center. (See "Paving The Way For Small Exporters," *Nation's Business*, June 1992.)

The U.S. Small Business Administration offers export counseling and conducts loan and financing programs. The Overseas Private Investment Corp. provides financing to U.S. companies willing to trade or invest in developing countries. The Export-Import Bank also offers loans, loan guarantees, and working capital to small businesses interested in expanding abroad.

For more information on the free programs available in your area through those departments and agencies, call 1-800-USA-TRADE.

Peter Robinson, executive director of the National Association of Export Companies (NAXCO), says that any business interested in gaining export-financing or trade leads must know exactly what it needs.

"There are 40 trade-lead programs in the U.S., but you may not qualify for any of them," he says. "You have to meet certain qualifications for export financing as well."

Robinson says NAXCO can help companies searching for information on financing or trade leads. Assistance is free to members. NAXCO refers nonmembers to appropriate agencies for assistance.

Write or call Robinson at NAXCO, P.O. Box 1330, Murray Hill Station, New York N.Y. 10156; (212) 725-3311.

The U.S. government offers *The Basic Guide to Exporting*, a \$9.50 booklet that includes a section on financing. Call the Superintendent of Documents at (202) 783-3238 for ordering information.

Greg Wilson, a graduate student in journalism at the University of North Carolina at Chapel Hill, contributed to *Direct Line* while serving as an intern at *Nation's Business*.

SERVICES

The Cutting Edge

I am interested in starting a saw-sharpening business. Do you have any information that would help me get started?

D.J., Selma, N.C.

Ken Morrison, a writer at *Power Equipment Trade* magazine, says saw-sharpening businesses generally need to be in a large logging market to succeed.

Typically, chain saws can be sharpened for \$3 to \$4 each, he says, so someone in this business would probably need to be able to sharpen other items as well to get by.

Foley Bell Saw, a machinery manufacturer in Kansas City, Mo., offers both a school for saw sharpening and a correspondence course.

The correspondence materials give in-



formation on how to sharpen saws and on how to retail the service.

For more information, contact Foley Bell Saw Co., 6301 Equitable Road, Kansas City, Mo. 64120; 1-800-821-3452.

FOOTWEAR

From The Ground Up

Please send me information on how I can learn more about the shoe industry—both the manufacturing and the retailing sides.

G.L., Bay Side, N.Y.

Cindy Emmel, director of communications at the National Shoe Retailers Association, invites you to write for basic information on footwear and on starting a

retail shoe store. Send your request, along with \$5 to cover postage and handling, to the National Shoe Retailers Association at 9861 Broken Land Parkway, Columbia, Md. 21046.

To obtain information on shoe manufacturing, send a written request to Barbara Singer, vice president of marketing at Footwear Industries of America, 1420 K Street, N.W., Suite 600, Washington, D.C. 20005.

DAY CARE

Doctors And Patients

I am starting an information-resource business that specializes in day care for children. I need a list of pediatricians' offices across the country.

C.C., Voorhees, N.J.



Not all pediatricians are members of any one group, but a good place to start is with the American Academy of Pediatrics, based near Chicago. The organization lists about 42,000 members, according to staff member Leslie Williams.

To obtain a list of pediatricians by region, send a written request and a self-addressed stamped envelope to the American Academy of Pediatrics, P.O. Box 927, Elk Grove Village, Ill. 60009-0927. Be sure to include the words "Pediatrician Referral" on the lower-left corner of the envelope.

HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to *Direct Line*, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102. Writers will be identified only by initials and city. Questions may be edited for space.

QUESTION OF THE MONTH

Heading For The Hills

What do you do if you work in an urban market and you want to open a business in—or move an existing one to—a more rural setting? Increasingly, our Direct Line readers are asking us how they can translate their urban professional skills into a rural business.

First, don't feel alone, says Marilyn Ross. She and her husband, Tom, wrote *Country Bound*, a book that addresses the trend toward rural business development. In a 1991 Gallup Poll, three out of four American professionals living in urban areas or highly populated semi-urban areas said they would rather *not* live in a metropolitan area. Given a choice, 29 percent said they would live in a city of 10,000 to 100,000 residents, and 52 percent said they would prefer a rural area or a small town.

"The once-secure corporate career is in tatters," says Marilyn Ross. "Americans are stressed-out. They hunger to gain more control over their lives."

Information on translating business skills into another market is available through several resource books, one of which is the Rosses' *Country Bound*,

published by Communication Creativity and priced at \$19.95.

Billed as a business book as well as a lifestyle guide, the 433-page book covers subjects such as selecting a community, setting up a home-based business, telecommuting to your existing job, buying a rural business, and steps for creating a good job in the country.

Readers are cautioned that "small-town life isn't for everyone," says Marilyn Ross, and the first part of the book is devoted to examining the personal considerations involved in making such a move.

The book's second section covers the business aspects of living and working in a rural setting; the third section contains a long list of resources.

HOMEMADE MONEY: *The Definitive Guide to Success in a Homebased Business* (Betterway Publications, Inc.), by Barbara Bralec, is a nuts-and-bolts approach to setting up a successful business in the home. The book includes a legal/financial section and a comprehensive resource directory. The cost is \$18.95.

Finding Your Niche...Marketing Your Professional Service (Community Resource Institute Press), by Brad Brodsky and Janet Geis, covers the basics of exploring career options, organizing your



business, researching a market, and promoting your skills. The price is \$15.95.

The Company Relocation Handbook: Making the Right Move (PSI Research/The Oasis Press), by William Gary Ward and Sharon Kaye Ward, offers guidance for executives planning to relocate a company or a plant. The book contains lists of relocation counselors and state-by-state summaries of economic-development support agencies. The cost is \$19.95.

All four books are available at bookstores or may be ordered and charged to a major credit card by calling 1-800-331-8355, extension CB.

18

From the editors of Direct Line

The Small Business Resource Guide

What You Need To Know About Starting And Running Your Business

Nation's Business brings you answers to the most frequently asked questions from Direct Line, the popular advice column for small-business owners. The guide contains useful advice about: ♦ setting up a business ♦ marketing ♦ retailing ♦ exporting ♦ franchising ♦ trademarks and copyrights ♦ patents ♦ financial planning ♦ managing people ♦ and much, much more.

Nation's Business' **The Small Business Resource Guide** is a must for owners of new and existing businesses in the 1990s. Available for only \$5.95 + \$1.00 for shipping and handling. Orders must be prepaid. Write to: Nation's Business, Circulation Department, 1615 H Street, N.W., Washington, D.C. 20062.

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From the editors of Direct Line

The Small Business Resource Guide

What You Need To Know About Starting And Running Your Business



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To Your Health

Managing well includes managing your own health; here is advice to help you do that better.

By Marcia J. Pear

How To Turn Off The Anxiety Alarm

One moment you're fine. The next, you're gripped by a terror so overpowering you feel as if you're going to die. In 10 or 15 minutes the sense of impending doom passes, leaving you limp, exhausted, and wondering what happened.

Panic disorder, which affects up to 2 percent of the U.S. population, is characterized by chest pain, shortness of breath, dizziness, sweating, trembling, and a racing heart. The all-consuming anxiety typically causes sufferers to think they are having a heart attack—or going mad.

According to the National Institute of Mental Health, approximately 10 percent of all people will have a panic attack at some time in their lives. But victims of full-blown panic disorder can experience four or more panic attacks every month. One-third may become so enslaved by their affliction that they develop agoraphobia—fear of going into open places.

Says Dr. James Ballanger, chairman of the psychiatry department at the Medical University of South Carolina and a board member of the Anxiety Disorders Association of America: "Everybody has an alarm reaction in their brain—we'd all panic if we were drowning. But for panic-disorder sufferers, the alarm rheostat is set too tight. When, for example, the door closes on an elevator or airplane, that alarm explodes."

No one personality profile is most prone to panic disorder, but having the disorder is bound to affect your personality, says Myrna Weissman, a professor of epidemiology in psychiatry at Columbia-Presbyterian Medical Center in New York. "Because the symptoms are unexpected and frightening," she says, "you may start avoiding situations where you think attacks might occur." In other words, in an extreme case, someone who had been outgoing and sociable might become a virtual recluse.

The causes of panic disorder are ambiguous. One theory suggests that a trau-

matic life event, such as the death of a loved one, divorce, or surgery, can push someone who is psychologically predisposed to panic disorder over the edge. But the precipitating life crisis, Weissman cautions, "may be mere attribution—trying to make sense of why something happened, after the fact."



PHOTO: GARDNER TELETYPE-UNIPICCO

Panic attacks can make sufferers think they're having a heart attack—or going mad.

There's evidence of a genetic link: The immediate family members of a person with the disorder are several times more likely to develop the disorder themselves than are members of the general population.

Hyperventilation may play a role in bringing on attacks. According to psychologist David H. Barlow, director of the Center for Stress and Anxiety Disorders at the State University of New York at Albany, half of all panic-disorder victims have episodes of rapid, shallow breathing, which creates an excess of oxygen in the blood and can cause dizziness, tingling,

and other symptoms of a panic attack.

Perhaps most frightening of all, panic can become its own disorder. Says Barlow: "People come to fear the attacks themselves, continuously scanning their bodies to detect early signs of the next attack."

The anxiety disorder also has been linked to suicide attempts. In a study reported in the *New England Journal of Medicine*, Weissman and her colleagues found that one in five people suffering from the illness had attempted suicide.

Fortunately, there is effective treatment, and sufferers have an excellent chance of resuming a normal life free from paralyzing fear. The experts stress the importance of seeing a specialist who is familiar with anxiety disorders. Ballanger reports that 95 percent of patients see more than 10 doctors before obtaining an accurate diagnosis.

Because of panic disorder's strong mind-body connection, both drug therapy and behavior modification can help. Drugs that work to reduce panic by affecting brain activity have been used effectively. They include imipramine, a tricyclic antidepressant; MAO inhibitors; and alprazolam, an anti-anxiety agent marketed under the brand name Xanax.

Barlow, a proponent of behavior therapy, helps desensitize patients to panic through a process he calls reality testing. He explains: "Although panic-disorder sufferers know rationally that what they fear isn't going to happen, they attribute their avoidance of horrible consequences to some outside force, such as luck or timing."

That reliance on outside forces keeps them chained to their illness. Barlow teaches patients that their symptoms need not signal danger. Because the reality testing is gradual, its effects are lasting, he says: "People feel they've really learned something."

It is most important for sufferers to realize that they're not alone, some experts say. Ballanger, for example, encourages his patients to join support groups.

"Panic disorder is not a sign of weakness," Barlow emphasizes. "There's no need to change your job, your lifestyle, or your career goals. Instead, recognize the illness for what it is—and get help as soon as possible."

Marcia J. Pear is a writer specializing in health issues and is principal of Pear Communications, a San Francisco-based marketing communications firm.

It's Your Money

A monthly survey of strategies, tactics, tips, and suggestions to help you with your personal finances.

By Peter Weaver

TRAVEL

The Summer Crunch Is On For Frequent Fliers

If you're planning to use your frequent-flier awards for a long-awaited vacation trip, you may be in for a shock. "Most airlines have seat restrictions for award passengers," says Deborah Reeves, associate editor of *Inside Flier*, a magazine for frequent fliers, "and this could mean



PHOTO: © BEN BLANKENBURG—LEO DE WITS, INC. NY

Frequent-flier tickets to sun spots such as Hawaii may be scarce this summer.

the difference between going when you want to go, postponing, or not going at all."

There are some 15 million frequent fliers out there with enough mileage to qualify for free round-trip tickets. And in late summer, there's fierce competition for the limited number of award seats.

Seating is particularly tough to get for trips abroad and for flights to domestic

vacation spots such as Hawaii, Florida, and California. Though frequent-flier seats are generally limited on each flight, they're in especially short supply this summer because the airlines' recent round of fare cutting filled many seats into September.

Reeves offers these suggestions:

- **Look for connecting flights.** Nonstop flights usually have fewer award seats. For international flights, you may find more award seats available if you can stay overnight at your U.S. base city.

- **Schedule your vacation flights in the middle of the week,** when more award seating is open.

- **Ask to be put on a waiting list,** and call every day to check your status.

- **Check with your airline on its policies.** Some airlines will give you the dates you want if you're willing to hand over more mileage coupons.

AUTOMOTIVE INSURANCE

A Coverage Caveat For Car-Pool Drivers

"If you are car-pooling for school this fall," says a bulletin from the Insurance Information Institute, "check to see if you have medical-payments coverage." Otherwise, the institute says, "you might be liable for expensive injuries sustained by other people's children."

Medical-payments coverage is available in some states but usually is not required by law. "It costs very little extra," says Richard Hospital, spokesman for GEICO Insurance Co., "and you really should have it." Other states have no-fault accident coverage that usually protects car-pool passengers. Some states, however, require special insurance coverage for car-pool passengers.

It's also a good idea to have uninsured-motorist coverage to make sure everyone's medical bills are taken care of in cases where the other driver is at fault and is not insured.

If you are collecting money from your car-pool passengers just to cover expenses such as gasoline and oil, Hospital says, "there is usually no problem collecting on medical claims." But if you are collecting money with profit in mind, you will need special commercial coverage.

If you have any questions about your car-pool coverage, check with your insurer.

CREDIT

Financial Relief For Student Borrowers

With college costs soaring, it's little wonder that a record number of this year's graduates will be facing heavy debt loads as they enter the job market.

If the money was borrowed through government-sponsored programs such as Stafford loans and Perkins loans, students can get relief through a loan-consolidation program offered by the Student Loan Marketing Association. Sallie Mae, as it is generally called, is a federally chartered corporation set up to provide funding for education loans.

The loan-consolidation program is called the Smart Loan Account, says Sallie Mae official Nancy Murphy, "and it consolidates all debts into one loan account that reduces monthly payments during the first four years by as much as 40 percent."

The Smart Loan Account also allows students to stretch out their debt, from the normal 10-year span after graduation to 15 years—or even 25 years in certain graduate-school situations.

The interest rate on Smart Loans is currently about 9 percent, says Murphy. Rates are set by getting a weighted average of all the loans being consolidated.

For more information on the Smart Loan Account debt-consolidation program, call 1-800-524-3015.

INVESTING

Municipal Bonds: Funds Vs. Trusts

There are basically three ways to buy tax-exempt municipal bonds: Buy your own bond, or buy a municipal-bond mutual fund, or buy a share of a unit-investment-trust bond portfolio.

For a good many investors, buying one or two bonds at a time is costly (sometimes \$25,000 each), and you don't get much portfolio diversification.

When you buy a bond fund or a unit-investment trust, your initial cost is much less and you get plenty of diversification.

So what's the difference between a bond fund and a unit-investment trust?

"Trusts have fixed portfolios," says Sheldon Jacobs, publisher of *No-Load Fund Investor* newsletter, "and a bond



Peter Weaver is a Washington-based columnist on personal finance.

mutual fund is open-ended, with the managed portfolio constantly changing to fit current market situations."

Which type of investment is better? It depends on whether you are looking for a long-term, tax-free investment or something for the short haul.

"Trusts can lock in an overall rate for years," Jacobs says, "and for some people, knowing just what they're going to get is a plus."

Trusts are sold through brokers and financial planners, with a sales charge of 3 percent to 5 percent. In the short term, the sales charge eats up some of the profits.

But trusts have low or no management fees (unlike bond funds), and over the long term, this saving can produce a yield that beats the funds.

"If you plan to hold bonds for six years or more," Jacobs says, "you may be better off with a trust. For less than that, you're better off with a managed, open-ended fund."

LIABILITY

Serving On A Charity's Board Can Cost You Plenty—In Court

Maybe you belong to some nonprofit organization's board of directors. You may be an active board member, or you may have just lent your name for the letterhead.

If you are a board member, how well are you protected against a lawsuit aimed at your organization? Don't know the answer? Then you should start doing some research.

"First of all," says Cary Schneider, a spokesperson for the Insurance Information Institute in New York, "you should check with the company that insures your home." Although your homeowner's policy may include some liability coverage, it might not be enough. You can get more coverage through an "umbrella" policy that raises your current level from, say, \$300,000 to \$1 million, \$2 million, or more. It doesn't add much to your insurance bill, yet it provides a lot of peace of mind.

Although the policy typically covers liability in a variety of circumstances, coverage for actions connected with board membership may have to be added as a rider.

While you are checking out your homeowner's insurance coverage, look into the coverage your organization might have to protect members of its board. Coordinate this with your insurance company to make sure you have enough coverage with one or the other or a combination of the two.

"A lot of suits filed against nonprofit organizations," Schneider says, "may not have much merit, ending up in the loser's column." But even if your side wins, he adds, the cost of defending yourself in court can kill you.

INSURANCE

The New "No-Load" Policies For Universal Life Insurance

Some insurance companies are now offering no-load insurance policies similar to the no-load mutual funds that have been around for years.

Instead of having a commission, or "load," built into the cost of, say, a universal life policy, some insurers are now eliminating most if not all of this expense and are allowing independent agents, financial planners, and others to negotiate a smaller, fixed fee to handle the transaction.

"The big plus for the purchaser of no-load, fee-based, universal life insurance is that the premiums are smaller and cash values build up much faster," says financial planner Barbara Warner, president of Windsor Financial Group in Bethesda, Md.

For example, when you purchase a commission-based policy, you are likely to find little if any buildup of cash value in the first year or so. "In the no-load policy," Warner explains, "the first-year

cash value will equal, or come close to, the premiums you paid."

Some agents who sell commission-based policies are cutting their sales "loads" in order to be competitive.

"You should shop around among the various fee-based and commission-based policies," says Ted Bernstein, president of Assured Enterprises, a Chicago insurance consulting firm, "then decide on which agent or financial planner offers the best price with the best service."

Nonetheless, Warner says, "highly competitive, fee-based policies are not for everyone."

For example, with a negotiated fee of \$5,000, you have to pay the agent or planner up front when you sign on the dotted line. With a commission-based policy, you usually have the option of making quarterly or semiannual payments (including the commission).

In addition, Warner notes, "fee-based policies are not sold everywhere." It may be difficult to find an agent or planner in your area who can handle this type of negotiation.

HOME REMODELING

"Construction Managers" Can Trim Your Costs And Headaches

If you are installing a new bathroom, kitchen, family room, or other room, consider hiring a construction manager. You could save money and aggravation.

Construction managers (CMs) are relatively new on the remodeling scene. They usually have years of experience in home building and remodeling, and they work directly for you as your planner, supervisor, and advocate.

"By using a CM," says Creed Delano Jackson, author of *The Intelligent Remodeler* (American Homebuilders Publishing), "you can save up to 10 percent on supervisory fees normally paid to a general contractor or architect." A construction manager may be paid a flat fee or a negotiated percentage of the cost of the job.

The CM runs the job for you. When the project is in the planning stage, the CM can save you money by using a more economical design or less-costly materials.

You also can save money in the bidding process. The CM knows where the good plumbers, electricians, painters, and carpenters can be found, and he or she knows what is a fair bid for the job.

The CM also makes sure your contractors have the right insurance coverage and are financially sound.

During the job, the CM inspects the work to make sure it's being done to specifications and is on schedule.

One possible problem with CMs is finding them. They generally are not listed under such a category in the business pages of telephone books. There

is usually a "Construction Management" listing, but it includes major contractors for commercial jobs as well as the occasional CM who is experienced in the home-remodeling field.

"You just have to go out and look for them," says Jackson. Building-materials companies, lenders, real-estate agents, rehabilitation specialists, and others may



A construction manager can smooth out the bumps in your remodeling project.

know where you can find prospective CMs.

"When you do find one," Creed says, "be sure you check out the references." Talk to people who have used the CM, and see if the work was done satisfactorily—on time and within budget.

For Your Tax File

How to keep taxes from overtaking you.

By Albert B. Ellentuck

DEDUCTIONS

Salvaging A Benefit From Bad Debts

Though the economy is rebounding, some small firms find customers are taking longer to pay their bills or are even defaulting. The damage to a company's cash flow and bottom line is even worse if the firm does not take full advantage of the tax deductions available for bad debts.

Business bad debts are usually the result of credit sales to customers or loans to suppliers, clients, employees, or distributors.

Goods and services that customers have yet to pay for are shown on the company's books as either accounts receivable or notes receivable.

A bad debt incurred in business is deductible in full as an ordinary-loss deduction provided the business has previously included the amount of the debt in its income.

To deduct a business debt that is completely worthless—that is never likely to be repaid—you must show that you have taken steps to collect the debt but that collection is impossible.

Save all documentation on collection efforts. The bankruptcy of a creditor who has no assets, for example, makes it easier to show a debt is worthless.

Timing also is important because you can deduct the debt as completely worth-

less only in the year that it actually becomes worthless. Your records must show that the debt was potentially collectible, at least in part, at the beginning of the year; otherwise the Internal Revenue Service could say the write-off should have been taken in an earlier year.

A business bad debt that is partially worthless can also be deducted. To do this, you must charge off the worthless portion on your firm's books. A credit to accounts receivable with the worthless amount would be considered a proper charge-off.

Charge-off entries may be made following the close of the taxable year, when you or your accountants are closing the books, but the charge-offs should be made before filing the tax return for that year.

Bad debts involving friends or relatives—such debts or loans typically arise in closely held corporate situations—are deductible only as nonbusiness bad debts because the loans have no relationship to the company's business.

The rules for nonbusiness bad debts are less favorable than those for business bad debts. For example, they can be

deducted only when completely worthless; no partial write-offs are permitted. Also, they are deductible only as short-term capital losses rather than as ordinary losses, and there are limits on the amount of these losses that can be deducted. For example, a corporation's capital losses can be deducted only against its capital gains, but if it has no capital gains for that year, no capital losses can be deducted.

Accordingly, if a friend or relative incurs a business debt to you, document the business purpose of the transaction so that, if necessary, you can take advantage of the more beneficial rules for business bad debts.



PHOTO: EDWARD SALORS—THE STOCK MARKET

If the payment you are owed turns into a bad debt, you may be able to claim a tax deduction.

CAPITAL GAINS

Good Home Records Can Pay Off In The End

You probably remember the initial cost of your house, but if that's all you recall and if your records are no better than your memory, you could pay more taxes than necessary when you sell it.

The cost of your house for tax purposes includes a number of frequently overlooked expenditures in addition to the initial cost. This so-called tax cost that you calculate is important because it affects

your gain or loss when you sell the house; the gain or loss is the difference between the tax cost and the selling price.

When you sell your house and buy a more expensive one within 24 months, you defer any tax on the gain.

If you don't replace your house within 24 months of selling it, however, you must use your original tax cost to calculate your capital gain or loss.

If you are 55 or older, you can eliminate \$125,000 of that gain, but any remaining gain will be taxable.

You will have to calculate your gain or loss sooner or later by documenting your tax cost. The more additional costs you can prove, the lower your gain or the greater your loss. Costs that can be added to a house's tax cost are those considered capital in nature, such as those that increase its value. Usual repairs don't count, but renovations and additions do.

Did you finish the basement or attic,

add a deck, a porch, a garage, or a new room? Did you install flooring, carpeting, or permanent lighting fixtures? All of these can be added to tax cost. So can the cost of a new roof, doors, windows, furnace, air-conditioning system, even landscaping and a swimming pool.

Even if you no longer have invoices or canceled checks for these renovations, it still may be possible to get some credit for them based on your recollection.

The moral? If you are a new homeowner, start it right. Set up a file for recording your costs, which include your initial cost on your closing statement, as well as your additional costs over the years. When in doubt about whether an expenditure can be added to your tax cost, save the record anyway; your accountant can later help you decide if it counts.

If you have owned your home for some time now, examine your old records for anything that might apply.



Tax lawyer Albert B. Ellentuck is a partner in the Washington law firm of Colton and Boykin. Readers should see tax and legal advisers on specific cases.

Where I Stand

On Welfare Reform

The issue of welfare reform is heating up at the federal and state levels, so your responses to this poll will be particularly timely. The results will be provided to the leaders of Congress and the Bush administration.

Return the attached postage-paid card. Or fax this page to (202) 463-5636 after circling your responses and filling out the coupon below.

See related story, Page 32.

1.

One side of the welfare-policy debate holds that most adult beneficiaries are victims of circumstances beyond their control. The other side views dependency largely as the result of voluntary and irresponsible conduct. What do you think is the major cause of welfare dependency?

1. Uncontrollable circumstances
2. Irresponsible conduct
3. Undecided

2.

Should welfare recipients be required to work or train for work?

1. Yes
2. No
3. Undecided

3.

Should family benefits be cut when children break school attendance and behavior rules?

1. Yes
2. No
3. Undecided

4.

What should happen to a welfare mother's benefits when she has an additional child?

1. Increased
2. Decreased
3. Kept at the same level
4. Eliminated

5.

Should federal requirements for welfare benefits be tightened?

1. Yes
2. No
3. Undecided

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Enterprise Zones Based On Incentives

Renewed interest in Congress and the White House in revitalizing economically depressed urban areas could lead to the establishment of so-called enterprise zones in 50 urban and rural areas.



ILLUSTRATION: RICHARD GAGE

On July 2, the House passed, 356-55, a bill that would permit a 50 percent exclusion on capital gains from investments in enterprise zones held at least five years. The bill also provides for:

- A 15 percent tax credit on the first \$20,000 in wages paid by employers who hire residents in the zone;
- An initial \$20,000 deduction for equipment purchases; and
- A maximum deduction of \$25,000 per year for purchases of stock in enterprise-zone businesses.

The Senate is expected to consider its own version of the bill soon. On June 19, senators rejected a White House proposal providing tax breaks for businesses in enterprise zones as part of a bill to extend unemployment benefits.

The House bill also provides for \$2.5 billion in federal funding for social programs. The Bush administration's original proposal favored separate enterprise-zone legislation focusing on tax breaks, while House Democrats for the most part have pushed comprehensive proposals that included additional money for social programs.

The U.S. Chamber believes that enterprise zones providing tax incentives and reducing regulatory barriers to economic progress are a better means for promoting economic revitalization than are increased spending initiatives. By relying on private initiative, enterprise zones would be a more cost-effective way to improve economic activity.

Contact your senators and representative to urge support for enterprise-zone legislation that encourages private initiative and provides tax incentives for businesses.

Maintain ERISA's Pre-emption Power

The House is considering legislation that would increase health-care costs for employers and employees and would give states the power to decide how much contractors should pay their employees and which benefits employers should offer.

Prior to the 1974 Employee Retirement Income Security Act (ERISA), a patchwork of conflicting state requirements created confusion and increased benefit costs for employers. Since its enactment, ERISA has prevented states from regulating retirement benefits and has provided uniformity for laws and procedures nationwide.

Legislation pending in the House would guarantee steeper increases in the costs of health, life, and disability plans by providing incentives for litigation against the plans. In effect, it would force health plans to cover previously excluded services and procedures, with costs falling most heavily on small and medium-sized companies. The U.S. Chamber of Commerce believes Congress should be focusing on legislation to make health insurance more affordable and available; any bill designed to drive up costs is unreasonable.

A House committee recently approved H.R. 2782, which would permit states to regulate certain employee benefits, such as compensation and training, on state-funded contracts.

The U.S. Chamber believes that removing ERISA's pre-emptive powers—or any attempt to hinder companies' options to control their rising health-care costs, such as proposals to dismantle managed-care programs—would be detrimental to solving the health-care crisis. In addition, awarding mandatory attorneys' fees only to prevailing plaintiffs would also increase plan costs.

Urge your U.S. representative to oppose legislation that would dilute ERISA's pre-emptive powers.



Davis-Bacon Act Needs Reform

Legislation that would reform the outdated Davis-Bacon Act and substantially reduce the costs of federally assisted construction projects is pending in the House.



The 1931 Davis-Bacon Act requires contractors on such projects to pay government-determined wage rates. But the law has become increasingly obsolete. It discourages competitive bidding on federal contracts, especially by small and minority-owned firms, and it disrupts local labor standards by preventing the market from setting construction costs and by impeding the hiring of minorities. State and local governments must apply Davis-Bacon rules even if only a fraction of a project is federally funded.

Studies by the Carter administration, Congress' General Accounting Office, the Congressional Budget Office, the Grace Commission on eliminating unnecessary spending, and others have estimated that repeal of Davis-Bacon would save \$1.5 billion a year.

The U.S. Chamber of Commerce supports repeal of the act; at a minimum, it believes reform is necessary. Rep. Austin J. Murphy, D-Pa., has introduced H.R. 1987, under which Davis-Bacon rules would apply only to new federally assisted construction projects costing \$100,000 or more and renovation projects costing \$15,000 or more. The current threshold is \$2,000 for both construction and renovation projects.

H.R. 1987 also defines the terms "apprentice," "trainee," and "helper"—common terms for semiskilled employees in the construction industry—and describes the circumstances under which they may be paid less than the required wage rate. Current Davis-Bacon regulations make almost no provision for wage rates or assignment of duties below the level of skilled journeyman mechanic.

Contact your representative to urge repeal, or at least reform, of the Davis-Bacon Act.

Editorial

The Unfinished Work Of The 102nd Congress

The 102nd Congress, now entering its final phase, could be remembered as a turning point in the history of the U.S. government.

That distinction would not be the result of achievement. Indeed, the major problems that faced this Congress when it took office last year remain unsolved.

The economy still suffers from a lack of coordinated and effective growth policies. Grossly excessive spending continues, and too many lawmakers keep clamoring for higher taxes to fuel it. Public demand for relief from oppressive government regulations goes unheeded. Congress ignores sensible proposals for improving health care and education but cannot develop workable solutions of its own.

A record like that certainly does not win a Congress a place in history for accomplishment.

Rather, the 102nd Congress will be remembered for reasons its members would sooner forget: scandal and ineffectiveness that generated unprecedented public support for limiting congressional terms as a way to eliminate the concept of lawmaking as a lifetime career.

The most far-reaching scandal was the disclosure that many House members had routinely bounced checks at a bank—now closed—that was maintained exclusively for members of that body. That revelation spotlighted the wide range of other privileges enjoyed by members, from cut-rate haircuts to on-site medical care.

The check scandal was followed by charges of drug dealing and financial wrongdoing in the House Post Office.

The Senate suffered a major setback in public opinion through its Judiciary Committee's handling of hearings on the nomination of Clarence Thomas to be a justice of the U.S. Supreme Court, a position he now holds.

In providing a forum for Anita Hill to air sexual-harassment charges against Thomas, the panel incurred the wrath of both supporters and opponents of his nomination and, in the minds of many, created an image of the Senate as disorganized, confused, bumbling, and inept.

The overall impact of those developments, combined with the legislative inertia, has made this Congress an object of scorn and ridicule. One reflection of this public attitude is the large number of members of the House—73 by the latest count—who are not seeking re-election.

With additional voluntary departures and primary defeats expected and with many incumbents likely to lose in the Nov. 3 election, prospects are that when Congress convenes next January, it will have more new House members than any Congress in the past four decades.

Members who are worried about voter reprisal at the polls in the near term and about limits on tenure in the long term are desperately seeking ways to gain public confidence. The vehicles they are exploring include procedural reforms designed to make the institution operate more efficiently.



PHOTO: STEVE BETHMANN ARCHIVE

The U.S. Capitol in 1863: *The outside was soon completed, but a sense of unfinished business still dominates inside.*

Congress' own vast bureaucracy of committees, subcommittees, special committees, select committees, and proliferating staff—more than 11,000 employees to serve a 535-member body—has become much too unwieldy, the critics say. Committee chairmen, selected by seniority, exercise absolute power over their areas of jurisdiction. They defend their turf aggressively, even if doing so delays legislation.

In seeking ways to rehabilitate itself with the public, Congress plans to appoint a committee to recommend broad changes in the way the legislative branch of the federal government operates.

That is a commendable initiative but not the ultimate goal. Members of Congress must keep in mind that they are confronting more than a public-relations problem. In the final analysis, they must demonstrate to the American people that they have the ability and the courage to resolve the problems facing the nation without regard to their own tenure or the demands of the special interests on which they rely for votes. That is what true congressional reform is all about.

Free-Spirited Enterprise

By Janet L. Willen

The People's Choice?

Just in time for the fall election campaigns, **John Wiley & Sons** is publishing *Political Babble: The 1,000 Dumbest Things Ever Said By Politicians*, by David Olive of the (Toronto) *Globe and Mail*.

Due out this month, the book includes memorable quotes—many of which we'd call far from dumb—from past and present U.S. and foreign politicians. The book is valuable reading for anyone who thinks politics has never been as bad as it is now. Just read these quotes:

"The more I see of the representatives of the people, the more I admire dogs," said



is that an angry customer asks to see you. Tartarella says there are three keys to opening the door. First, "Count your blessings." As long as the customer is complaining, he "still wants to do business with you."

Then do whatever it takes to put out the fire. "Some customers won't offer a second chance," Tartarella says. Finally, offer attention, assurance, and action.

The exSelling Method costs \$24.95, with quantity discounts available. For more information, call (216) 562-5571.

A Different Pinup

A picture may be worth a thousand words. Just ask **Clement Communications**, of Concordville, Pa.

The company's Challenge-Posters are full-color 17-by-22-inch pictures designed to help managers motivate their employees, give them self-es-

teem, and foster commitment and team spirit.

Every week the company sends a new poster to businesses that subscribe to its program.

One poster shows rafters on the rapids with the message, "Working together means winning together." Another shows a directional sign and says, "Where you are is not as important as where you are going."

Clement Communications says Challenge-Posters say the kinds of things that most employees want and need to hear but that managers can't always put into words.

Subscription costs range from \$3.45 per copy weekly for two to four posters to \$2.20 each per week for 20 or more copies. For more information, call 1-800-345-8101.

All Around The Town

Where can you find the Hard Rock Cafe, the Tumba Golf Course, and the Casino Royale gambling hall? Check *The New Moscow: City Map and Guide*.

These are three of the hundreds of sites detailed in the English-language edition of the map, published by **Northern Cartographic** of Burlington, Vt.

The map lists more than a thousand names of streets in the business and tourist sections of Moscow, with cross-references from the old to the new names. It includes telephone numbers of many restaurants, railroads, theaters, and other popular and well-traveled spots.

The map also highlights free-enterprise zones and more than 90 newly active religious establishments. It has insets of central Moscow, the region, the metro system, and the Kremlin.

Copies are available from the publisher for \$7.95, includ-



ing shipping and handling. For more information, call (802) 860-2886.

Better Than Chicken Soup?

You can't always get chicken soup when you're on the road with a cold, but you can get steam-inhalation treatment. That tried-and-true cure for upper respiratory problems is available in a portable form from **Bernhard Industries**, of Miami Beach.

The company's new Steam Inhaler replaces the pots of boiling water you can inhale at home. The portable appliance is 7½ inches high and weighs 16 ounces. It has three parts: a tank that holds 2 ounces of water, a grill for regulating the flow of water, and a hood in which to place your face. The inhaler provides up to 30 minutes of steam and can be used with 110 and 210 voltage.

Cost: \$39.95 plus shipping and handling. For more information, call 1-800-544-6425.



ILLUSTRATIONS: CHARLOTTE MURRAY FRIEDBAUM

19th-century French President Alphonse de Lamartine.

And from Calvin Coolidge: "I think the American public wants a solemn ass as president, and I think I'll go along with them."

And who can doubt Benjamin Franklin when he said, "The first mistake in public business is the going into it."

The book costs \$14.95. For more information, call 1-800-CALL-WILEY.

An Open-Door Policy

When doors aren't opening for you or your sales staff, the exSelling Method may help.

Sales consultant **Ronald Tartarella**, of Aurora, Ohio, presents his method in a 52-page, 5-by-7-inch looseleaf notebook.

For example, your problem





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of the limitations. Its advanced PBX capabilities and leading-edge digital technology provide you with a degree of efficiency and reliability you'd be hard-pressed to find anywhere else. Its automatic call distributor (ACD) can automatically forward all incoming calls in sequence to the appropriate people without the need for human interface—thereby increasing your company's productivity. And its self-diagnostics and remote maintenance make the NEAX1400 virtually service-free.

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Obviously, when it comes to giving you value, Regal Gran Sport is a very good sport. For more information on Regal, please call 1-800-423-6787.

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The Business Advocate

SUPPLEMENT TO **Nation's Business** AUGUST 1992

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PHOTO: CARMEL BELLAR—THE STOCK MARKET

You can help shape the future by attending one of five fall regional action forums scheduled by the U.S. Chamber of Commerce.

The forums are aimed at developing a strong federal legislative program for 1993. That program will be tailored for the new—and potentially quite different—Congress that will convene in early 1993.

Political experts estimate that as many as 120 seats in the House and the Senate will change hands as a result of already announced retirements and the Nov. 3 elections.

(Continued on Page 85)



PHOTO: STEVE GRANITZ—THE STOCK MARKET



PHOTO: GARY ZARUBA—THE STOCK MARKET

HELP SHAPE THE FUTURE

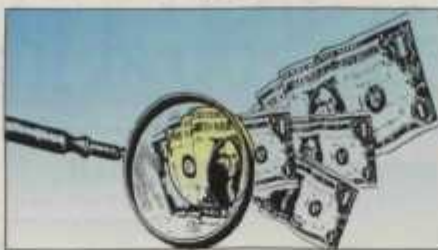
■ Fiscal Policy

Our Balanced-Budget Position

In a move to prevent unlimited federal tax hikes and spending increases, the U.S. Chamber of Commerce chose to oppose a balanced-budget amendment to the Constitution that came up for a House vote in June.

The House vote was 280-153, nine votes short of the two-thirds majority required to approve a bill proposing a constitutional amendment.

The Chamber's board of directors decided to oppose the proposal, introduced by Rep. Charles W. Stenholm, D-Texas, on the recommendations of its tax- and economic-policy committees. Chamber leaders believed Stenholm was sincere in his attempt to control the rising federal deficit with his balanced-budget proposal, but his bill lacked adequate safeguards against Congress' long-term practice of increasing spending and taxes, says William T. Archey, U.S. Chamber senior vice president/policy and congressional affairs.



The measure also included no language on how the legislation would be implemented.

The board views its position as fully consistent with its long-held commitment to achieving federal budget-process reform.

According to Archey, the Chamber sees the deficit as a symptom of a serious problem—Congress' historical practice of increasing spending.

Congressional experts believe there is little hope for significant budget reform this year. But, according to Archey, the

Chamber's balanced-budget stance has positioned the organization well for an aggressive fight to achieve such reforms next year.

Budget and tax matters will be a key focus of the Chamber's regional action forums in October, where Chamber members nationwide will help set the Chamber's priorities in these areas.

If you're concerned about the burgeoning federal deficit, now estimated at \$400 billion, write your U.S. representative and senators and urge them to get federal spending under control.

Tell them you're tired of Congress' practice of increasing taxes to finance higher spending and you want the institution to change its ways.

Write: your senators, U.S. Senate, Washington, D.C. 20510; and your representative, U.S. House of Representatives, Washington, D.C. 20515.

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■ Urgent



Sen. John D. Rockefeller IV, D-W.Va.

Contact Your Senator Now On Product-Liability Reform

A major milestone in the years-long fight for a federal product-liability law appears about to occur, and *you* could have an impact on the outcome by calling your senators now.

The Senate is expected to begin debate Sept. 8 on a business-backed bill to establish uniform product-liability standards. The legislation would preempt the host of conflicting state product-liability laws that have made companies subject to widely different standards and damage awards, depending on the state in which a liability lawsuit was filed.

A vote by the Senate would be its first on product liability since the business community began a concerted push for a uniform law nearly a decade ago.

The bipartisan Senate bill, S.640, was introduced by Sens. John D. Rockefeller IV, D-W.Va., Robert W. Kasten Jr., R-Wis., and John C. Danforth, R-Mo. Among other provisions, the bill would:

■ Set a uniform period in which a

product-liability suit could be brought against a company. That period would be two years from the time an injury and its cause are discovered or should have been discovered.

■ Allow punitive damages only if there is "clear and convincing evidence" that a company showed "conscious, flagrant indifference" to public safety.

■ Require firms to pay noneconomic damages—recovery for pain and suffering—only in proportion to their share of the blame, rather than making them jointly liable for the entire amount awarded.

■ Provide incentives for quicker settlements of lawsuits, speedier compensation to injured parties, and reductions in legal costs.

Call your senators by Sept. 4 and urge them to vote for S.640. Tell them the legislation would stimulate business growth and make U.S. firms more competitive in the global economy. Dial the Senate switchboard at (202) 224-3121.

■ New ADA Guide

A revised and updated employers' guide to the Americans with Disabilities Act is available from the U.S. Chamber of Commerce.

What Business Must Know About the ADA: 1992 Compliance Guide explains employers' obligations under the law and provides suggestions on how to comply.

The 88-page book was written by Zachary D. Fasman, a partner in the national law firm of Paul, Hastings, Janofsky, & Walker. It covers requirements on employing disabled individuals and on accommodating disabled members of the public.

The guide is available to U.S. Chamber members for \$14 a copy (\$21 for nonmembers). Bulk rates are also available.

Checks should be sent and made payable to the U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062-2000. Send them to the attention of Cheryl Nikos. For credit-card orders, call Publications Fulfillment at 1-800-638-6582 (within Maryland, dial 1-800-352-1450).



H. William Lurton, left, 1992-93 U.S. Chamber chairman, and U.S. Chamber President Richard L. Leshner present a plaque to Diane C. Fitzgerald, president of Diane C. Fitzgerald & Associates, in Washington, D.C. Her firm was honored for becoming the organization's 200,001st member.

■ Education

SBA, Chamber Focus On Skills

The federal government and the U.S. Chamber of Commerce are conducting joint hearings around the country on the need to improve the skills of the small-business work force.

The forums are designed to collect information from small companies on

siery, in Marion, S.C.; Bill Jenkins, technical manager for Barnet Southern, a textile firm in Arcadia, S.C.; Dr. James B. Morris Jr., executive director, State Board for Technical and Comprehensive Education, in Columbia, S.C.; Janet A. Bolen, program coordinator,

Carolina Chamber of Commerce; and Olin Broadway, chairman and chief executive officer, The Salem Company, in Charlotte, N.C.

The business witnesses said they had found illiteracy to be a major problem.

Hearings were also scheduled for



The Chamber's vice president for domestic policy, Jeffrey H. Joseph, left, moderated the first of five joint hearings by the SBA and U.S. Chamber on work-force skills. At right, witnesses at the hearing in Columbia, S.C., detail their views on the state of workers' skills.



the current level of literacy and skills among workers. The forums will be used to determine:

■ What small-business owners are doing to meet their workers' job-skill needs;

■ What motivates certain small businesses to seek job-related training for employees;

■ What types of training assistance are available to small firms in various regions.

The hearings are being conducted by the U.S. Small Business Administration (SBA) and the Chamber's Center for Workforce Preparation and Quality Education.

The first of the five scheduled hearings took place June 18 in Columbia, S.C., where the focus was on bridging the skills gap.

SBA Administrator Patricia Sakki noted at the hearing that "education and training are critical to the success and viability of America's small businesses."

Mary Brennan Lukens, SBA associate deputy administrator for business development, and Jeffrey H. Joseph, U.S. Chamber vice president/domestic policy, moderated the forum.

The witnesses were Rosena Nelson, training coordinator for Sara Lee Ho-

Education is Essential Foundation, a project of the Dalton/Whitfield, Chamber of Commerce, in Dalton, Ga.; Dr. Barbara Nielsen, state superintendent of education, Department of Education, in Columbia, S.C.; John Asman, president, Data Systems Technology, in Columbia, who represented the South

July 21 in New Rochelle, N.Y.; Aug. 10 in Wichita, Kan.; Aug. 26 in Seattle; and Aug. 31 in San Diego.

A report on the findings from the hearings will be submitted to President Bush and Congress for their consideration in shaping federal policies and legislation.

■ Economic Poll

Business people remain confident about the U.S. economy, according to the latest Business Ballot poll, conducted by the U.S. Chamber of Commerce in June, but their optimism increased only slightly over the previous poll, taken two months earlier.

The slightness of the increase is an indication that the economic recovery remains weak, says William MacReynolds, the U.S. Chamber's director of forecasting.

The June poll of U.S. Chamber members showed that 54 percent of respondents expect the economy to improve over the next six months. That percentage was slightly higher than in April, when 53.9 percent of respondents thought the economy was headed up.

When asked about their own sales, 50 percent said they expect them to rise

over the next six months, while 17 percent expect a drop. The percentage expecting a rise was up somewhat from April, when 48.8 percent of respondents expected sales increases.

Worker-hiring plans remained the same from April to June, with 23 percent of respondents indicating they expected to add jobs over the next six months. Thirteen percent expected to cut jobs, and 64 percent expected no change in employment in the June poll.

"For a medium to strong recovery, you need that employment surge, and that's just not happening," noted MacReynolds in analyzing the poll results. Still, he added, the economic outlook is generally positive among business people.

Be sure to respond to this month's ballot enclosed in the polybag with your Nation's Business and The Business Advocate.





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■ Victory

U.S. Chamber Defeats Striker Bill

The U.S. Chamber of Commerce scored a major victory when the Senate failed twice in mid-June to end debate on legislation that would bar employers from permanently replacing striking workers.

Backers of the bill failed to cut off debate on the measure by votes of 55-41 and 57-42, effectively killing the bill for this session of Congress. Sixty votes are needed to end debate.

Sen. Orrin G. Hatch, R-Utah, with the strong support of business, led a filibuster on the bill.

Following the vote, Sen. Howard M. Metzenbaum, D-Ohio, the prime sponsor of the bill, vowed that although the legislation is likely dead for this year, he will continue working to pass it.

The striker-replacement bill would have prohibited employers from permanently replacing employees who strike over economic conditions, such as wages and benefits. Current law already bans permanent replacements in cases involving unfair labor practices.

The legislation, which has been a top priority of organized labor, was passed by the House during the last session of Congress. But with a new Congress next year, the legislation would have to be reintroduced for reconsideration in the House.

Opponents of the bill said the Metzenbaum measure would upset the

long-standing balance between the rights of labor and management.

"Organized labor has always had the right to strike," said Jeffrey Joseph, vice president/domestic policy for the U.S. Chamber. "Companies have a right to stay in business. This bill would have stripped business of that right."

Proponents of the striker bill failed to get the 60 votes necessary to end the filibuster despite the proposal of a substitute bill by Sen. Bob Packwood, R-Ore. The Packwood substitute would have called for an arbitrator to write a collective-bargaining agreement to resolve contract disputes.

Thank your senators if they voted against ending the filibuster on the striker-replacement bill. If they voted to end the debate, which would have cleared the way for Senate passage of the bill, voice your displeasure. The address is the U.S. Senate, Washington, D.C. 20510.



Metzenbaum



Hatch

■ How They Voted

Senators who voted to end debate on the striker bill were, in effect, voting to pass the bill, which was strongly opposed by business. Those who voted to continue the debate did so to block passage. Let your senators know how you feel about their votes.

Voted To Clear Way For Passage

ALABAMA
Heflin (D)
Shelby (D)
ALASKA
Stevens (R)
ARIZONA
DeConcini (D)
CALIFORNIA
Cranston (D)
COLORADO
Wirth (D)
CONNECTICUT
Dodd (D)
Lieberman (D)
DELAWARE
Biden (D)
FLORIDA
Graham (D)
GEORGIA
Fowler (D)
HAWAII
Akaka (D)
Inouye (D)
ILLINOIS
Dixon (D)
Simon (D)
IOWA
Harkin (D)
KENTUCKY
Ford (D)
LOUISIANA
Breaux (D)
Johnston (D)
MAINE
Mitchell (D)
MARYLAND

Mikulski (D)
Sarbanes (D)
MASSACHUSETTS
Kennedy (D)
Kerry, John (D)
MICHIGAN
Levin (D)
Riegle (D)
MINNESOTA
Wellstone (D)
MONTANA
Baucus (D)
NEBRASKA
Eaton (D)
Kerrey (D)
NEVADA
Bryan (D)
Reid (D)
NEW JERSEY
Bradley (D)
Lautenberg (D)
NEW MEXICO
Bingaman (D)
NEW YORK
D'Amato (R)
Moynihan (D)
NORTH DAKOTA
Burdick (D)
Conrad (D)
OHIO
Glenn (D)
Metzenbaum (D)
OREGON
Hatfield (R)
Packwood (R)
PENNSYLVANIA
Specter (R)
Wofford (D)
RHODE ISLAND
Pell (D)

SOUTH DAKOTA
Daschle (D)
TENNESSEE
Gore (D)
Sasser (D)
TEXAS
Bentsen (D)
VERMONT
Leahy (D)
VIRGINIA
Robb (D)
WASHINGTON
Adams (D)
WEST VIRGINIA
Byrd (D)
Rockefeller (D)
WISCONSIN
Kohl (D)

Voted To Continue Debate

ALASKA
Murkowski (R)
ARIZONA
McCain (R)
ARKANSAS
Bumpers (D)
Pryor (D)
CALIFORNIA
Seymour (R)
COLORADO
Brown (R)
DELAWARE
Roth (R)
FLORIDA
Mack (R)
IDAHO
Craig (R)
Symms (R)
INDIANA
Coats (R)
Lugar (R)
IOWA
Grassley (R)
KANSAS
Dole (R)
Kassebaum (R)
KENTUCKY
McConnell (R)

MAINE
Cohen (R)
MINNESOTA
Durenberger (R)
MISSISSIPPI
Cochran (R)
Lott (R)
MISSOURI
Bond (R)
Danforth (R)
MONTANA
Burns (R)
NEW HAMPSHIRE
Rudman (R)
Smith (R)
NEW MEXICO
Domenici (R)
NORTH CAROLINA
Sanford (D)
OKLAHOMA
Boren (D)
Nickles (R)
RHODE ISLAND
Chafee (R)
SOUTH CAROLINA
Hollings (D)
Thurmond (R)
SOUTH DAKOTA
Pressler (R)
TEXAS
Gramm (R)
UTAH
Garn (R)
Hatch (R)
VERMONT
Jeffords (R)
VIRGINIA
Warner (R)
WASHINGTON
Gorton (R)
WISCONSIN
Kasten (R)
WYOMING
Simpson (R)
Wallop (R)

Not Voting
NORTH CAROLINA
Helms (R)

■ '92 Elections

Posters and payroll inserts to remind your employees to vote in the Nov. 3 elections are available from the U.S. Chamber of Commerce. The materials are free to Chamber members, but there is a \$5 charge for shipping and handling.

To order voting materials, call Chamber Publications Fulfillment at 1-800-638-6582 (within Maryland, dial 1-800-352-1450). The Chamber has distributed more than 3,500 posters and 46,000 inserts since its drive to encourage business people to vote began in April.

What Will You Do When Your Personal Assets Are Seized to Satisfy A Judgment Against Your Corporation?

All your many tax benefits of owning a corporation could be wiped out overnight. How? The I.R.S. could visit you and claim you have not kept proper corporate minutes. You could lose the very tax benefits to which the law entitles you.

Here are some recent "horror stories" direct from actual court cases:

Joseph P. obtained a loan from his corporation without the proper loan documents and corporate minutes. As a result, the court required him to pay additional taxes of \$27,111.60. He narrowly escaped a penalty of \$13,555.80.

B.W.C., Inc. was forced to pay \$106,358.61 of accumulated earnings tax because its corporate minutes were incomplete. They expressed "no specific, definite, or feasible plans" to justify accumulating earnings, according to the court.

Keeping records has always been a bother, and an expensive one, especially for small companies. Most entrepreneurs do not like to spend time keeping records. Probably because no one ever became rich by keeping records. And in a small, one-person business, it seems downright silly to keep records of stockholder meetings and board of directors meetings...keeping minutes...taking votes...adopting resolutions...isn't it all just a waste of time?

Not if you ask any of the thousands of entrepreneurs who have lost fortunes because they failed to keep records. You should look at corporate recordkeeping chores this way: *It's part of the price you pay to get the tax benefits and personal protection from having a corporation.*

A corporation does not exist except on paper, through its charter, by-laws, stock certificates, resolutions, etc. Anything you do as an officer or director has to be duly authorized and evidenced by a resolution of the stockholders or the board, or by both in some cases. It makes no difference if there is only one stockholder or one million stockholders. The rules are basically the same.

You can hire a lawyer, like the big companies do, and pay \$100 or more just to prepare one form. But you may need, at minimum, a dozen or more documents to keep your corporation alive and functioning for just one year. This type of work is the bread and butter for many corporation lawyers. Most of the work can be done by their secretaries, yet they will charge you enormous sums because they know how important these forms are.

There is now a way for you to solve your corporate recordkeeping problems. Without a lawyer, without paying big fees, and without spending a lot of time. Virtually all the forms you will ever need are already compiled in **The Complete Book of Corporate Forms** by Ted Nicholas. Nicholas also publishes the highly popular special report, *How an "S" Corporation Can Save You Tax*. Written by Joseph Oliver, CPA, this report details how an "S" Corporation—one of the most underused tax avoidance methods—can save you literally thousands of tax dollars each year.

But forming a corporation is only the first step toward building "the ultimate tax shelter." Through carelessness or neglect, many people are denied their rightful benefits from owning their own corporation. Ted Nicholas saw that many business owners needed more help after they incorporated.

And so, he prepared **The Complete Book of Corporate Forms**. Everything is simplified. Either you or your secretary can complete any form in minutes. All you do is fill in a few blanks and insert the completed form in your record book. When you own this book, you are granted permission to reproduce every form. If you are behind on keeping your corporate records, now you can catch up in no time. Just complete a few blanks for the things you've already done in the company. It's legal and it works. Best of all, the price is less than you would pay a lawyer for one hour of counseling.

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■ Spirit Of Enterprise

Lawmakers Honored For Backing Business



The U.S. Chamber of Commerce recently presented its Spirit of Enterprise Award to senators and representatives for their votes in support of business during 1991.

The award is presented annually to members of Congress who backed the Chamber's position at least 70 percent of the time during the previous session of Congress on legislation the organization identified as critical. Awards were presented at a reception on Capitol Hill. For the complete listing of recipients, see Page 88.



U.S. Chamber President Richard L. Leshner, left, and Chamber Board Chairman H. William Lurton, right, with Rep. Lewis F. Payne, Jr., D-Va.



Chamber House Liaison Christine Russell, right, and Rep. Jan Meyers, R-Kan.



Above, Rep. Scott L. Klug, R-Wis.

Sen. John W. Warner, R-Va., left below, is greeted by Chamber Vice President/Public Liaison Milt Mitler, center, and Senior Vice President/Policy and Congressional Affairs William T. Archey.





Rep. Dean A. Gallo, R-N.J.



Rep. Gary A. Franks, R-Conn.



Rep. G.V. (Sonny) Montgomery, D-Miss.

Rep. John R. Kasich, R-Ohio, shares some thoughts with U.S. Chamber board members Carol L. Ball, center, and Jeanine S. Hettinga



Rep. Clyde C. Holloway, R-La., left, Chamber Senate Liaison Ted Maness, center, and Robert D. Jones of Amoco, a member of the Chamber's Public Affairs Committee



Sen. Robert W. Kasten Jr., R-Wis., left, and Rep. Bill Archer, R-Texas



Above,
Sen. Larry E. Craig,
R-Idaho

Rep. Mike Parker,
D-Miss.



Rep. Charles W. Stenholm, D-Texas, left, and Chamber board member William A. Stone

Rep. Earl Hutto, D-Fla.



Sen. John McCain, R-Ariz.



■ Operations

Chamber Reorganizes To Boost Effectiveness

In strategic moves to strengthen its effectiveness on Capitol Hill and to provide new, useful services to its members, the U.S. Chamber of Commerce has reorganized its operations.

The organization has elevated its congressional-relations efforts to the senior vice president level, under William T. Archey, senior vice president for policy and congressional affairs. In addition, it has established the Office of Membership Grassroots Operations, headed by



Alan A. Wheeler

Donald J. Kroes. As vice president/Office of Membership Grassroots Operations, Kroes is responsible for the management of all resources related to the Chamber's grass-roots network, including its regional offices.

Reporting directly to Archey, in addition to Kroes, are Lawrence A. Hunter, vice president/economic policy; Jeffrey Joseph, vice president/domestic policy; and Willard Workman, vice president/international.

The Chamber's House liaison, Christine Russell, and Senate liaison, Ted Maness, now also report directly to Archey.

According to Chamber President Richard L. Lesh, these changes "will allow the Chamber to better communicate the needs and concerns of its membership to the Congress and to work proactively to implement needed solutions to problems."

In a separate move, the Chamber has established a new Quality Services Division, under Carl Grant, senior vice president/communications, to provide management-education services to U.S. companies. The new division will offer services to help businesses improve the quality of their operations and their products and services.

Named to head the division as vice president/quality services is Alan A. Wheeler, who was manager of the Chamber's Center for Leadership De-

velopment, a management education program for association and state and local chamber executives.

The new division will produce a series of 10 satellite television seminars on Total Quality Management this fall and expects to produce 40 such seminars in 1993. The seminars will follow a successful spring series of televised quality-management seminars, which the Chamber conducted jointly with George Washington University, in Washington, D.C. Response to those seminars indicated a nationwide desire for such management training.

The fall series, designed for small firms, is being produced with the Juran Institute Inc., of Wilton, Conn., Joiner Associates, of Madison, Wis., and Philip B. Crosby, of Maitland, Fla., founder of a management firm that he now serves as a consultant.

The institute and Joiner Associates are among the foremost Total Quality Management education organizations.

The seminars will be broadcast from the Chamber's Washington studios to sites throughout the nation.

The broadcast dates are Sept. 17, Sept. 23, Sept. 30, Oct. 8, Oct. 15, Oct. 21, Nov. 4, Nov. 18, Dec. 2, and Dec. 8.

For more information, contact the Chamber's Wheeler at (202) 463-5570.

■ Milestones

U.S. Chamber Marks 80th

There has not been a great central organization through which [business organizations] could correlate their information and secure its distribution..."

That statement explained why a group of business leaders had assembled to form a broad-based national business organization they called the U.S. Chamber of Commerce. It appeared in the first issue of the new organization's publication, *Nation's Business*.

The U.S. Chamber and *Nation's Business*, which began life in a newspaper format, are celebrating their 80th anniversaries this year.

The delegates to the founding meeting acted at the urging of President William Howard Taft. While there were many commercial and professional groups in existence, they were either regional or industry-specific, and Taft wanted a single business contact point with American enterprise.

The U.S. Chamber of Commerce met that need.

The first major initiatives of the new organization included the launching of a publication then called *The Nation's Business*.

A listing of subjects to be covered included: "The nation's business is to learn the extent of our resources and to

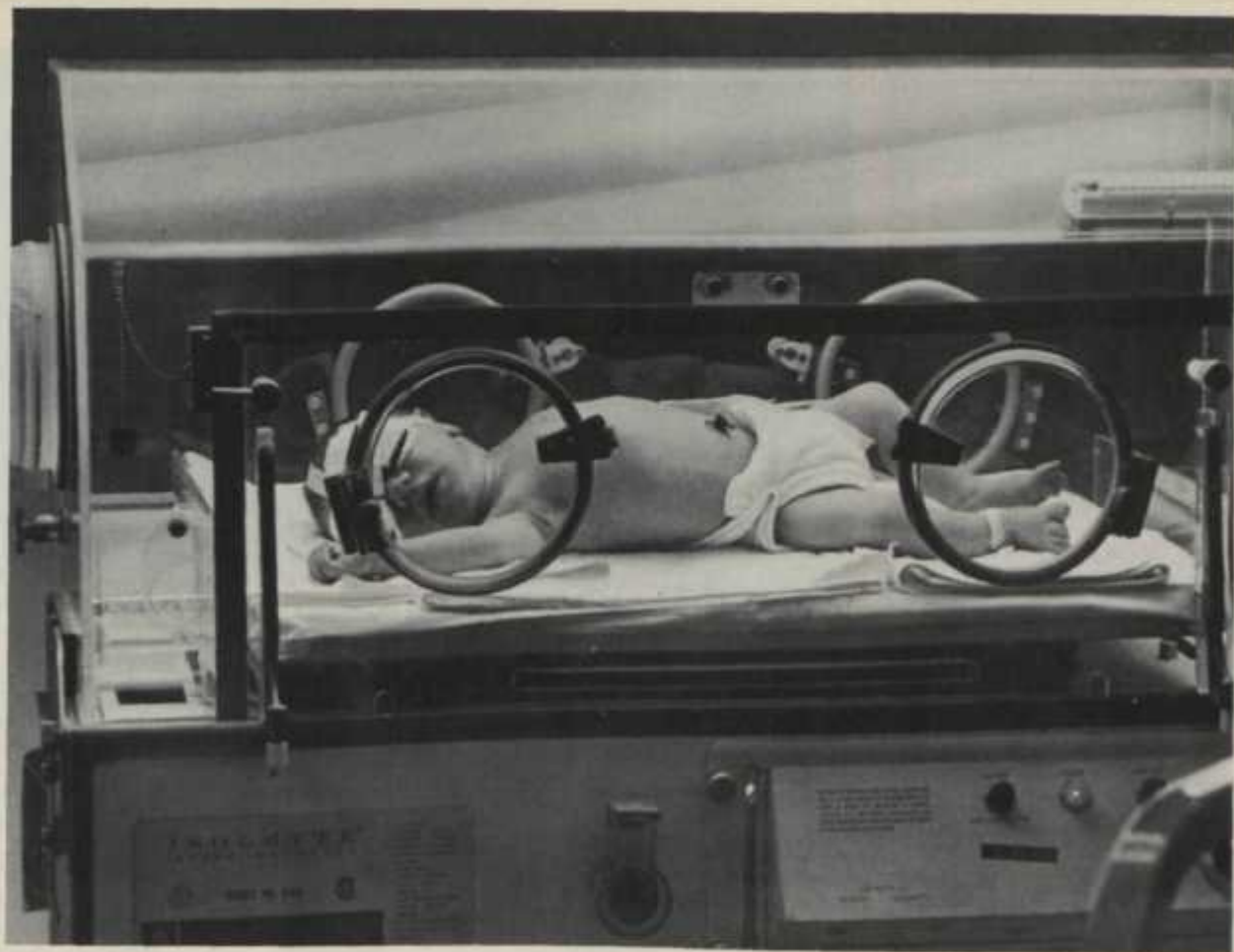
understand the interests of our population, without whose activities resources have no value.

"The nation's business is to regard the use of resources as better than either waste or disuse..."

The publication was shifted from a newspaper to a magazine format in November 1915, and in 1925 it became *Nation's Business*.

The publication's 80 years make it the oldest business magazine in the country, and its circulation of 865,000 subscribers makes it the largest monthly business magazine.





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Trade

U.S., Russian Chambers To Cooperate

While Russian President Boris Yeltsin was at the White House agreeing to reduce nuclear arms and seeking U.S. aid for the former Soviet Union, the leader of the Russian business community was across Lafayette Park at the U.S. Chamber of Commerce headquarters signing an agreement with the business federation to strengthen trade and economic ties between U.S. and Russian businesses.

Stanislav Smirnov, president of the Russian Federation Chamber of Commerce and Industry, and Chamber President Richard L. Lesher signed the agreement on cooperation and understanding June 16.

Among other efforts, the two business groups agreed to:

- Exchange information on bilateral



U.S. Chamber President Richard L. Lesher, left, and Stanislov Smirnov, president of the Russian Federation Chamber of Commerce and Industry, sign a cooperation agreement.

economic trends, trade, and investment policy, and on government policies and legislation affecting companies looking to do business in each country.

- Identify common obstacles to trade and investment.

- Promote cooperation between the countries' businesses in the areas of investments, joint ventures, transfer of

know-how, and licensing agreements.

- Exchange information on and act as clearinghouses for specific business opportunities.

- Assist in exchanges of business delegations and delegations of technical experts.

"It is our hope that, in both our countries, business and government can work together to ensure successful commerce and increased economic growth," said Lesher.

According to Smirnov, although there are still some "big problems" to be resolved during Russia's transition from communism to capitalism, there are also "big opportunities." He said the Russian business federation can help U.S. companies enter the Russian market with information and analyses of the economic and political situation.

The Russian Federation Chamber of Commerce and Industry was founded shortly after the collapse of communism in the former Soviet Union. It is a nonprofit, nongovernmental organization that, like the U.S. Chamber, represents and fosters entrepreneurship, said Smirnov.

Energy

Chamber Fights Lease Ban

The U.S. Chamber of Commerce is urging lawmakers on a panel trying to reconcile differences between House and Senate energy bills to eliminate a House provision particularly troublesome to business.

That provision would ban all new offshore oil and gas leases on the Outer Continental Shelf (OCS), except in the central and western Gulf of Mexico.

According to Stuart Hardy, manager of resources policy for the Chamber, striking the OCS leasing ban from the conference committee bill is among the Chamber's current top energy priorities.

Developing the OCS is important both for reducing U.S. dependence on foreign oil and for creating jobs, he says. Offshore oil and gas sites are all the more important because of the failure of the House and the Senate to include in either chamber's bill the opening of the Arctic National Wildlife Refuge (ANWR)—an area in Alaska—to oil and gas exploration and development. Like the OCS, ANWR is estimated to contain vast amounts of oil and natural gas.

In their respective bills, both cham-

bers of Congress adopted several provisions supported by business, but they did not include others, such as ANWR.

Included were provisions to:

- Streamline the nuclear licensing process.

- Extend the government's clean-coal technology program.

- Promote the use and development of renewable fuels, such as solar and wind power, through tax incentives.

- Streamline the certification process for natural-gas pipelines.

Small-Business Exports

The Export-Import Bank has begun actively seeking small companies that need export financing.

"We're moving from being reactive to being proactive," Richard Feeney, the bank's senior vice president for small business, told the Council of Small Business of the U.S. Chamber of Commerce.

The Ex-Im Bank extends credit to commercial banks and businesses for use in exporting U.S. goods and services. Previously, the institution had

waited to be contacted before offering assistance. In other changes:

- The bank's credit program has been adjusted to make it easier for small firms to obtain commercial-bank financing for exports.

- Commercial banks' lending authority has been increased from \$300,000 per borrower to \$750,000.

For more information about the Export-Import Bank's small-business programs, call 1-800-424-5201.

■ Setting The Agenda

Register Now For Autumn Regional Action Forums

(Continued from Page 73)

"Anything that smacks of inside the [Washington] Beltway will get about one nanosecond of attention from the new Congress," says William T. Archey, Chamber senior vice president/policy and congressional affairs. "For that reason, the views of our

nois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

■ **Eastern**—Steven E. Woolley, manager, (212) 370-1440; representing Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire,



U.S. Chamber regional action forums have been scheduled for October in five cities.

members at the grass roots are more important than ever."

(See the map above for the meeting dates and locations.)

At each meeting, breakout sessions will be held in eight areas: budget, taxes, and the economy; business and government regulation; education and training; environment and resources; global economics and trade; health care; transportation and telecommunications infrastructure; and work force, labor, and benefits.

Priorities for action will be established in each area.

For more information, contact one of these U.S. Chamber offices:

■ **Southern**—Harry L. Cowan, manager, (214) 387-0404; representing Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and Virginia.

■ **Western**—Meg Jacobsen, manager, (415) 348-4011; representing Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

■ **Central**—Mark F. Pufundt, manager, (708) 574-7918; representing Illi-

nois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

In Washington, D.C., call the U.S. Chamber's Donald J. Kroes at (202) 463-5406; Hugh McCahey at (202) 463-5560; or Billy P. Mitchell at (202) 463-5580.



Work-force issues, such as education and training, employee benefits and safety, and government regulation, will be among the topics of discussion at the U.S. Chamber's regional action forums.

How To Register For Fall Forums

Because seating is limited at each regional meeting site, individuals and organizations planning to attend should register in advance.

Assignments to the meetings' breakout sessions are made on a first-come, first-served basis.

The per-person registration fee is \$85 if the registration form is postmarked by Oct. 1 and \$105 thereafter. Meeting reservations canceled on or before Oct. 15 will be refunded in full. Those canceled after Oct. 15 but before 5 p.m. Eastern time the day before the meeting will be charged a 30 percent cancellation fee.

Meeting participants who plan to

stay overnight should make their own hotel reservations. Blocks of rooms have been reserved at the Rye Town Hilton, in Rye, N.Y., (1-800-445-8667); the Hyatt Regency O'Hare, in Rosemont, Ill., (1-800-882-1234); the Ramada Renaissance at Los Angeles International Airport, (1-800-228-2828); the Holiday Inn DFW Airport North, in Irving, Texas, (1-800-465-4329); and the Atlanta Airport Hilton, in Atlanta, (1-800-445-8667).

For more information on registering for meetings, call the regional office for your state. The phone numbers are listed in the other article on this page.

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Courts

Business Wins Supreme Court Cases

The National Chamber Litigation Center, the public-policy law firm of the U.S. Chamber of Commerce, won all four U.S. Supreme Court cases it fought on behalf of business this year.

In the most recent Supreme Court victory, the court ruled that property owners must be compensated when government regulations deny "all economically viable use" of their land.

The case, in which NCLC filed a friend-of-the-court brief, involved a landowner who had purchased two South Carolina beach-front lots in 1986. A South Carolina regulatory agency prohibited construction on the state's coastline under a 1988 environmental law, thus "taking" the use of the land from the property owner.

The U.S. Constitution's Fifth Amendment bars governments from taking property without paying "just compensation" to the owner.

In the other three Supreme Court cases in which NCLC was involved, the court ruled that:

■ The pension-plan assets of companies that have filed for bankruptcy are protected from creditors under the federal Employee Retirement Income Security Act.

■ An employer can prohibit union

organizers from its property. The court overturned a National Labor Relations Board decision that said unions could contact a company's workers on the firm's property if other means of contact proved ineffective.

■ States that do not have safety and health plans approved by the U.S. Occupational Safety and Health Administration may not adopt worker safety laws that conflict with or overlap OSHA statutes.

Another major NCLC victory, in a lower court, involved companies' liability for clean-up costs for hazardous-

waste sites. The U.S. Court of Appeals for the Third Circuit, in Philadelphia, recently ruled that firms named as responsible parties to polluted sites under the federal Superfund law should be allowed to prove what percentage of the total contamination of a site is their responsibility.

Further, the court said, the firms should be held liable only for clean-up costs related to that portion.

For information on how you can support NCLC's efforts, contact Cam Esser at (202) 463-5337.

Regulation Victory

The U.S. Chamber of Commerce was instrumental in winning the recent elimination of a rule that restricted a company's ability to convert products and technologies developed under government contracts to commercial applications.

The Bush administration announced in mid-June that the Department of Defense rule was being eliminated because it hurt the competitiveness of U.S. firms. The DOD rule was an

expansion of a policy adopted in the 1960s as a means to share development costs for weapons systems sold to U.S. allies. DOD expanded the rule to include commercial-derivative items developed with defense money and required contractors to create elaborate tracking systems.

The Chamber was part of a multiassociation coalition that lobbied the administration and Congress over the past year to eliminate the rule.

In Congress



Spirit Of Enterprise Award Winners

The Spirit of Enterprise Award was presented recently by the U.S. Chamber of Commerce to these 189 members of Congress for their strong support of business during 1991.

U.S. Senate

- Arizona**
John McCain (R)
- California**
John Seymour (R)
- Colorado**
Hank Brown (R)
- Florida**
Connie Mack (R)
- Idaho**
Larry E. Craig (R)
Steve Symms (R)
- Indiana**
Dan Coats (R)
Richard G. Lugar (R)
- Kansas**
Bob Dole (R)
Nancy Landon Kassebaum (R)
- Kentucky**
Mitch McConnell (R)
- Mississippi**
Thad Cochran (R)
Trent Lott (R)
- Missouri**
Christopher S. Bond (R)
John C. Danforth (R)
- Montana**
Conrad Burns (R)
- New Hampshire**
Robert C. Smith (R)
- New Mexico**
Pete V. Domenici (R)
- North Carolina**
Jesse Helms (R)
- Oklahoma**
Don Nickles (R)
- South Carolina**
Strom Thurmond (R)
- South Dakota**
Larry Pressler (R)
- Texas**
Phil Gramm (R)
- Utah**
Jake Garn (R)
Orin G. Hatch (R)
- Virginia**
John W. Warner (R)
- Washington**
Slade Gorton (R)
- Wisconsin**
Robert W. Kasten Jr. (R)
- Wyoming**
Alan K. Simpson (R)
Malcolm Wallop (R)

U.S. House of Representatives

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Sonny Callahan (R)
William L. Dickinson (R)
- Arizona**
Jim Kolbe (R)
Jon L. Kyl (R)
John J. Rhodes III (R)
Bob Stump (R)
- Arkansas**
Beryl Anthony Jr. (D)
John Paul Hammerschmidt (R)
- California**
Tom Campbell (R)
C. Christopher Cox (R)
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John T. Doolittle (R)
Robert K. Dornan (R)
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Alfred A. McCandless (R)
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Ron Packard (R)
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Dana Rohrabacher (R)
William M. Thomas (R)
- Colorado**
Wayne Allard (R)
- Connecticut**
Gary A. Franks (R)
Nancy L. Johnson (R)
Christopher Shays (R)
- Florida**
Michael Bilirakis (R)
Porter J. Goss (R)
Earl Hutto (D)
Andy Ireland (R)
Craig T. James (R)
Tom Lewis (R)
Bill McCollum (R)
E. Clay Shaw Jr. (R)
Cliff Stearns (R)
C.W. Bill Young (R)
- Georgia**
Doug Barnard Jr. (D)
Newt Gingrich (R)
Richard Ray (D)
Robert Lindsay Thomas (D)
- Illinois**
Philip M. Crane (R)
Thomas W. Ewing (R)
Harris W. Fawell (R)
J. Dennis Hastert (R)
Henry J. Hyde (R)
Robert H. Michel (R)
John Edward Porter (R)
- Indiana**
Dan Burton (R)
- Iowa**
Fred Grandy (R)
Jim Leach (R)
Jim Lightfoot (R)
Jim Nussle (R)
- Kansas**
Jan Meyers (R)
Dick Nichols (R)
Pat Roberts (R)
- Kentucky**
Jim Bunning (R)
Harold Rogers (R)
- Louisiana**
Richard H. Baker (R)
Clyde C. Holloway (R)
Jerry Huckaby (D)
Bob Livingston (R)
Jim McCrery (R)
W. J. (Billy) Tauzin (D)
- Maryland**
Wayne T. Gilchrest (R)
- Michigan**
William S. Broomfield (R)
David Camp (R)
Paul B. Henry (R)
Carl D. Pursell (R)
Fred Upton (R)
Guy Vander Jagt (R)
- Minnesota**
Jim Ramstad (R)
Vin Weber (R)
- Mississippi**
G. V. (Sonny) Montgomery (D)
Mike Parker (D)
Gene Taylor (D)
- Missouri**
E. Thomas Coleman (R)
Bill Emerson (R)
Mel Hancock (R)
- Montana**
Ron Marlenee (R)
- Nebraska**
Bill Barrett (R)
Doug Bereuter (R)
- Nevada**
Barbara F. Vucanovich (R)
- New Hampshire**
Bill Zeff (R)
- New Jersey**
Dean A. Gallo (R)
Dick Zimmer (R)
- New Mexico**
Steven Schiff (R)
Joe Skeen (R)
- New York**
Amo Houghton (R)
Norman F. Lant (R)
David O'B. Martin (R)
Susan Molinari (R)
Bill Paxon (R)
James T. Walsh (R)
- North Carolina**
Cass Ballenger (R)
- Ohio**
John A. Boehner (R)
Paul E. Giltmor (R)
Willis D. Gradison Jr. (R)
David L. Hobson (R)
John R. Kasich (R)
Bob McEwen (R)
Clarence E. Miller (R)
Michael G. Oxley (R)
Chalmers P. Wylie (R)
- Oklahoma**
Mickey Edwards (R)
James M. Inhofe (R)
- Oregon**
Robert F. Smith (R)
- Pennsylvania**
William F. Clinger Jr. (R)
George W. Gekas (R)
William F. Goodling (R)
Thomas J. Ridge (R)
Don Ritter (R)
Rick Santorum (R)
Richard T. Schulze (R)
Bud Shuster (R)
Robert S. Walker (R)
- South Carolina**
Butler Derrick (D)
Arthur Ravenel Jr. (R)
Floyd Spence (R)
- Tennessee**
Jim Cooper (D)
John J. Duncan Jr. (R)
James H. Quillen (R)
Don Sundquist (R)
- Texas**
Bill Archer (R)
Richard K. Arney (R)
Joe Barton (R)
Larry Combest (R)
Tom DeLay (R)
Jack Fields (R)
Pete Geren (D)
Ralph M. Hall (D)
Sam Johnson (R)
Lamar S. Smith (R)
Charles W. Stenholm (D)
- Utah**
James V. Hansen (R)
- Virginia**
Herbert H. Bateman (R)
Thomas J. Bliley Jr. (R)
Lewis F. Payne Jr. (D)
Frank R. Wolf (R)
- Washington**
Rod Chandler (R)
John Miller (R)
Sid Morrison (R)
- Wisconsin**
Steve Gunderson (R)
Scott L. Klug (R)
Thomas E. Petri (R)
Toby Roth (R)
F. James Sensenbrenner Jr. (R)
- Wyoming**
Craig Thomas (R)

John T. Myers (R)

Howard Coble (R)
J. Alex McMillan (R)
Charles H. Taylor (R)
Tim Valentine (D)